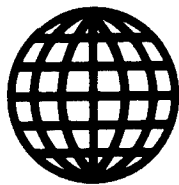


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INTRABLOC

Novels of Controversial Soviet Author Reviewed
27000011a Bucharest ROMANIA LITERARA
in Romanian No 45, 5 Nov 87 p 20

[Article by Albert Kovacs: "Aitmatov's Novel"]

[Text] Ever since Cervantes, that is to say since all times, the great novels have treated the acute issues of existence and individual destiny in such a manner as to also extend to the destiny of a collective, if not of humanity itself. Isolated cases or "incidents" were raised to the highest level of generalization thanks to art, which often delved not only into daily events, but also into exceptional occurrences or myths as tools and sources of inspiration. In the free epic construction, the substance of the novel in time seems ever more frequently hidden and, perusing new books, we ask ourselves with increasing frequency why we should view this particular one as a novel, too, when it appears to invalidate all previous concepts? Is it perhaps not a novel, but a literary supraspecies, a "text," an invented (or authentic) document, a phantasy in prose, or a modern myth? In theory anything is possible, but in literary practice the term stubbornly resurfaces and the great works of our times are still novels.

Using an elementary comparison, one can say about novelist Cinghiz Aitmatov that he rose in literature like a star: his novel *Geamilea* (1958), which in French alone was published in seven editions, was described by Louis Aragon as "the most beautiful love story in the world after *Romeo and Juliet*." His books have been translated in dozens of languages; almost all of them appeared in Romanian and were warmly received by the readers and praised by the critics (Valeriu Cristea, Tatiana Nicolescu). His new novel, *The Gallows*, however, prompts us to reflect on his art afresh.

Until his penultimate book, *A Day Longer Than A Century* (1981), his novelistic formula leaned toward the story telling or the extended short story, in other words, it gravitated around the micronovel. Some of his works can be easily classified "according to the rules" as short stories (for example, *The Parade* and *Camel Eyes*), others come closer to the novel (*Adieu, Yellow Flower*), while still others were in a way archetypal micronovels (*The First Teacher*, *Mother's Acre*). Acustomed to the fact that a novel can incorporate short stories and moreover, that it can be divided into a "series" of short stories, we also learned to think that the reverse was impossible, namely that the smaller cannot contain the larger. Except that Chekhov was capable of integrating entire human destinies and their times in only a few pages, condensing the novel into a short story. Identifying such structures thus becomes a *modus operandi*, a safe access road to the universe of the work and to the writer's art. Chekhov's work was dominated by the new short story structures created through the amplification/potentialization of older structures and by subsuming other

genre-species. In Aitmatov's case, the path from short story to novel was predictable. His short stories contained landmarks and tracks inevitably led in that direction. It is precisely those specific traits that proved to be essential for his work, rather than other, more "visible" aspects. Thus, the critics had predominantly placed his work among the "lyrical prose species." Of course, lyrical or poetical prose does exist; however, it is not a literary species, but possibly the quality of a certain type of prose, and it is indeed one of the real dimensions of Aitmatov's work, albeit a dimension that in retrospective did not prove to be determining. The warm and luminous affect and the poetry of feeling belonged mainly not to the story teller, to the author's I, but to the world presented, and thus did not possess a lyrical quality. An acute state of conflict transfers the poetry to the domain of the epic. In *The White Ship*, the poetic, crystalline structure and the supremely harmonious musical style served to evoke an objectively tragic fate selected by the narrator. Following this path, we come to identify the rationale of Aitmatov's creativity.

The reinstatement of the major issues of real human existence without dogmatic limitations and narrow sociological preaching served as a new launching pad for the Soviet writers. Suffice it to recall that when he made his debut, and later too, Aitmatov was forced to deal with normative aesthetic concepts that repudiated tragedy (with the exception of some of its forms which came closer to social heroism or were more exactly identifiable with the heroic) from Soviet literature. Somewhat parallel with Sukshin, Rasputin, Astafiev, Trifonov, and others, Aitmatov's path crossed but also diverged from theirs. One of the landmarks of his artistic universe is the ethnic-cultural—Kirgiz and Kazakh—environment and, undoubtedly, his intensive utilization of mythology. Aitmatov's work is rooted in a multisecular national folk culture and feeds on the inexhaustible folkloristic treasure that produced, for example, the epic *Manas*. But it was not the utilization of folk elements or legends per se that became definitional of his art, but the utilization of myths as a tool and as a means of expressing his own view of the world.

By integrating real and imaginary occurrences and events, myths possess the finality of intuitive knowledge and permit the author to penetrate the still uncharted areas of reality. As forms of ancient hermeneutics, myths place man face to face with nature and with the secrets of life, but they also provide a certain answer to the question of the meaning of human existence. Thus, repeatedly raising the "damned problems" of existence, the modern author relies on myths both in the area of ideas and in the purely artistic area.

The last Aitmatov book available to Romanian readers was *A Day Longer Than a Century*—a far-reaching, typical Aitmatov novel, which nevertheless differed from his previous works. The lyrical accents were hidden and were upstaged by the prosaic and trite aspects of life

and the hostile conditions that are nevertheless overcome by those whose fate is marked by the assumption of human dignity. By social status, the main hero, railway worker Edighel Burannil, could be classified as an "ordinary man," humble even, except that he belonged to the strong and determined type of man capable of challenging the unending and indifferent steppe, isolation, and bureaucracy in the name of his identity as a man and a Kazakh...

The plot of the novel, which is constructed like a modern epic, takes place on several levels. Memories and the heroes' confidences provide us with their protohistory (brought to the present through epical unfolding), permitting the incorporation of individual, national, and human destinies through a triple time dimension: past, present, and future. Like in Joyce's *Ulysses*, the plot itself covers the events of only 1 day, in which Edighel buries his friend who had died the previous day, and is forbidden to use the ancestral cemetery so as not to endanger the security of a space landing site. The slow pace of the surface events, presented in sometimes picturesque and sometimes prosaic details, is doubled, or rather, potentiated to the level of the deep structures by the implication of existential occurrences and fates. The formally objective and classical story thus becomes, because of the utilization of the indirectly free style, a modern story involving a multitude of narrative perspectives and the different perceptions of the various characters, including animal and mythological characters that are at times at the center of events and at times on the periphery of the narrative.

A Day Longer than a Century is a multidimensional novel which from the very first pages establishes its interacting narrative and time levels. The future is incorporated into the present and thus the science fiction subplot—the distant planet Liman (a symbol of mankind's golden era) is destroyed because of the stupid confrontation of the superpowers in the joint Paritet program—is transformed from an anticipated event into a warning. The steppe, the site of the action and the true "character" of the novel, is first observed by a hungry fox desperately foraging for food near the railway, and only after that by man, by the hero, abandoned in a lineman's hut hundreds of kilometers away from the big centers of civilization. The references to the space of the action are filled with suggestions, and a simple comparison between the railway and the Greenwich meridian opens up the horizons of the universe in the epic structures and anticipates the "Obruci" space project. The name "Obruci," which reappears in the realm of the fantastic, sends us to the central literary theme of the book: memory—the repository and foundation of the sense of freedom, dignity, and identity that are man's characteristics—which recurs at all the levels of the novel.

The basic dimension of the novel, the real psychological level in the present time, is achieved by focusing the action around the burial ritual, an event during which

Edighel reveals himself as a man with an acute memory, which is the antithesis of alienation. This man, seemingly made of common sense alone, reveals himself as capable of great passions and is dominated by the supreme desire to know the world. As a matter of fact, he can also fight. On the plane of the past, the exponent of the memory theme is one of Edighel's colleagues and comrades who, during the war had landed in Yugoslavia and who, during the 1950's period of great difficulties had fallen victim to reprisals for the mere fact that he wrote his memoirs under the title *Notebooks of a Partisan*.

The memory theme, the theme of self-identity and human dignity is fulfilled with great artistic force in its mythological dimension. Out of a single line from *Manas*, Aitmatov's imagination creates the historical legend of the Mankurzi, prisoners turned by invaders into docile slaves and subjected to the frustration of memory by a tremendously ferocious method: brain mutilation, which is the most terrible crime against human nature because a Mankurz thus became capable of killing his own mother and forgetting his father's name. The three levels of the novel and its time dimensions are welded together largely by the memory theme, too, this time through its constructive role. This allows the author to use the collage principle, juxtaposing events parallel in time and space by alternating the segments without any traditional or causal epic bond.

Aitmatov's last book to reach the Russian and Kirghiz readers (and of several other languages) is *The Gallows*. The novel stirred up a genuine storm both among the readers (who were generally enthusiastic) and among the critics. The shock was due, in our opinion, to the fact that the book deals even more extensively with a major and acute theme, as well as with various options of artistic expression. In the last analysis, the main source of bewilderment were the changes that have occurred in the language of the novel, particularly changes dealing with mythology, the exceptional, polarity, and paradox...

Both from the viewpoint of ideas and artistic form, *The Gallows* continues the line of the previous novel, but it also contributes something new in both areas. A serious voice, relating tragedies, establishes itself from the very first sentences of the book. The reader might have been annoyed to find that nature, whom man faces at every moment, is cognitively represented by a family of wolves, except that the angle of perception is so revealing, that he cannot help communicating with the text. In fact, the author makes use of the exceptional: the senseless killing of feral animals even destroys the balance of nature. The history of the family of wolves is the only overall epic framework of the book, which has other main heroes, and it plays a hermeneutic role by interpreting the implacable laws of nature, the violation of which endangers man's existence itself. In the spirit of the polarization of meanings and of the paradox, the world of the wolves is endowed with ethical values from within, thereby emphasizing the lack of such values

among men, or among certain people. Parallel but rarely interacting with other themes in the first parts of the book, the history of the family of wolves and, connected to it, the places of the action incorporate three micronovels. The first two center on a new and original hero, Avdey Kalistratov, a former student expelled from university who now works on a youth newspaper. A naive and generous Don Quixote, he assumes responsibility for man's fate and for life. He has in him something of Prince Mishkin and he seems to follow in the footsteps of Alyosha Karamazov. Terrified by the scourge of drugs, he tries to mobilize public opinion. In order to gather information, he infiltrates a group of drug dealers who handles anasha (a kind of marijuana, a wild hemp growing in the Kirghiz steppe); he tries to persuade the gang members to stop spreading the vice, but he fails, and escapes with his life only by a fluke. He acts just like the "strange man of Galilee" who refused to give up a few sentences out of pride, and forfeited his life for it. The scenes preceding Christ's crucifixion and his exchange with Pontius Pilate are retold. In the second micronovel, driven by love for a woman, Avdey returns to Kirgizia and works occasionally for a team of antelope hunters in the Mojunkum steppe. However, realizing that this involved extermination and the destruction of a large natural reservation, he stands up to the team leader, Ober Kandalov, who had been promoted to that job out of the underworld. In punishment for that Avdey is tied to the branches of a dead tree, a torture that he cannot endure, and he dies.

The third micronovel focuses on a team leader, Boston, a realistic man with a sound character, talented and tenacious. However, out of all people, he is struck by misfortune. An undisputedly remarkable worker, he is stalemated by a petty leader, a man of abstract dogmas, who accuses him of a bourgeois mentality because he had recommended that the teams run the pasture fields themselves. Against the backdrop of a latent conflict with people depersonalized by vodka, inefficient, and stagnating, Boston's fall occurs in an extreme situation and is brought about by the mistake of the hunted man. Chance, incident, and accident play here an important role, just as in ancient tragedy. The exceptional, however, is firmly planted in the psychological, social, and national reality of the characters, and in the action of a realism that draws on the imaginary and the trite with equal boldness.

Gratuitous and inhuman violence is stigmatized in the interpolated short story of the "Georgian legend," in which the tragic error of superfluous violence (the execution of defeated counterrevolutionaries) is projected in the light of the common human and national qualities extrapolated in folk songs. The novelist militates for the primacy of general human values—the foundation of individual destiny and the finality of historical development.

The structure of the novel follows distinct lines and landmarks. The collage principle becomes operational only as regards large segments or even parts of the book

(like in the case of Tarkovsky in *Andrey Rublyov*). Predominant in the organization of the novel is the literary theme as an ideational-structural unit, made up of epic material, too, but not according to the criteria of discourse linearity, but according to conjunctions, associations, and free juxtapositions. The role of recurrence in the construction of hypostatical symbolic images becomes as important as in musical composition (the exposition of the novel, like an overture or a prelude, suggests the motifs that are later developed in the main parts).

In contrast to Bulgakov and Marquez, in whose books the myths freely infiltrate the contemporary and become one with daily life, Aitmatov preserves the identity of the mythical plane, while the real, psychological, and current planes reveal their new dimensions through comparison and complementation. The Gallows, which is a striking epic creation, owes its value to the efficacy of the mythological element, too, although in this respect the details reveal an insufficient integration of Biblical legend—mentioned by both the writer Ales Adamovich and the critic N. Anastasyev—and a redundancy of certain mystical ideas exhibited by the characters. These partial lapses are, however, "reparable," because the published text was described by the author in an interview as a serial version.

After lengthy debate, the critics concluded that they had fallen short in the beginning, because they had been thrown off by the new artistic form and the new way of thinking. What had been described as lack of style and amorphous composition is increasingly being recognized as an original procedure and structure. Several critics, including E. Surkov, V. Oskotsky, and L. Mkrichan, redeemed their profession by discussing the novel in depth and in relation to the current context of Soviet and world literature. They emphasized the "appeal" character of the novel, the authenticity of its tragic element, its incontestably valid heroes, and other qualities that explain the magic attraction of the book for the public. Indeed, this represents the victory of an exceptional creative force and an art capable of being a vox humanitatis, the triumph of a deep realism and of the spirit of observation and analysis of daily and imaginary events.

The Gallows seems to be a literary phenomenon of an importance that we do not as yet fully realize. Aitmatov's tragic heroes reinforce our belief in the good and in life despite daily threats. The threats, the author said, are taking on apocalyptic dimensions; stop them, save your lives.

12782

HUNGARY

Political Interests, Consensus, Opposition, Confidence Discussed

25000016 Budapest *MAGYAR NEMZET* in Hungarian
3 Oct 87 p 7

[Interview with Miklos Raft, chairman, Council of Ministers secretariat by Vilma Komor: "Decisionmaking and Interest Relations"]

[Text] Let's face it: we are inclined to view certain governmental decisions as "milestones" when in reality

they are not. We even venture to recognize some as the dawn of a new era, just to discover that our hopes were premature. We always manage to inflate our enthusiasm in order to keep our faith. That enthusiasm feeds fickle illusions which produce neither landmarks nor an epochal change.

It now appears that the trend that manifested itself during the recent National Assembly session presents the reverse situation. There was little enthusiasm and an abundance of doubt and lethargy. This fact notwithstanding, there evolved a step-by-step process which in the end resulted in a long-overdue favorable attitude.

[Question] Is it true that advance negotiation between the parliament and the legislature was the major factor that encouraged more substantive debate than what we have heard before? I would go so far as to say that the personalities and individual styles of the floor managers had a lot to do with the development of a receptive attitude.

[Answer] These factors are significant, but beyond personalities we find only a few institutional guarantees that would justify an optimistic view. The change we have seen in this session does not necessarily constitute a trend or a determined intent to continue on this path—it is tied to present leadership personalities. This, of course, raises concern: if indeed personalities dominate the process, a change in personnel could deprive the community of the favorable features of the changed process. It is the governmental organization that should become the institutional guarantee—a public management system which relieves or casts out those who lack leadership qualities. Leaders with no leadership qualities are being tolerated in Hungary for inexcusably long time periods.

The Credibility of Policies

So far we have not paid sufficient attention to the personality factor. We talk a lot about the importance of leadership personality but do not provide room for the development of such personalities. This, in spite of the fact that when it comes to legislative acceptance of parliament policy proposals, much depends on how those proposals are being presented, aside from their substantive merits. Floor managers must have a certain character and style, and must convey an individual image. In the recent legislative session the parliament spokesmen and the sponsoring legislators were not just "faceless" individuals. Their individual tone of voice underscored the substance of their statements and their sincerity generated confidence.

[Question] For quite valid reasons, confidence is a frequent topic of discussion. What practical means exist for the restoration and strengthening of public confidence?

[Answer] The oft-talked about societal consensus is actually based on a relationship of confidences. Hard times like these show just how fragile that relationship is. Among other factors, it is the diminishing possibility to satisfy a diversity of interests that de-stabilizes the relationship. For this reason, from the viewpoint of a healthy society that has confidence in its decision-makers, it is important that people can observe that interests prevail in the framework of an established process which permits the clashing and reconciliation of conflicting views in the open. Such processes produce decisions which are able to generate confidence, and thus the renewal of consensus, even if those decisions reflect "constrained necessities." Conversely, behind the scene interest representation, we might say "lobbying"—one that excludes public understanding and review—discourages public confidence.

[Question] Subject experts as well as the bureaucracy have a definite need for public forums in which the groundwork for decisions is laid. The need for such forums was demonstrated by the presentation of socio-political issues in the context of taxation, and even earlier, at election time, when some clear-cut statements conveyed real societal needs. The trouble with such statements is that some view them as coming from the opposition. Such views continue to prevail even today.

[Answer] The sizing up of opposition groups was clearly defined at the prime minister's press conference. Decision-makers must pay attention to well-meaning opposing views which represent endeavors for improvement. These would include opinions that did not originate from abroad and are not intended to subvert our social order. Our decision-makers continue to be tempted by the idea of voluntarism as a formula for the satisfaction of societal needs. Our official political pronouncements continue in terms of syntheses, which is contrary to the dialectic truth of matters. The truth is that progress results from both the struggle between and the unity of contradictions, or, stated differently: the key to the truth is the thesis, which emerges from the unity of the antithesis and the synthesis.

Keeping Our Options Open

It is important that our institutional process permits retreat on given issues and encourages contradictory opinion and the reckoning with consequences. An institutional guarantee which permits one to change his mind is complemented by the "more eyes see more" concept, which translates into "paying attention to different opinions." Firmness in decision-making must not mean infallibility. A number of flawed decisions were already made based on the false myth of infallibility. These had adverse outcomes which could have been avoided if those who saw things differently could have had their say.

All this suggests that decision-makers and decision-making bodies should never become overly self-confident. They should not feel that a conclusion which is different from the one they reached is necessarily inconsistent with their line of thought, or, if not inconsistent, it must be inherently flawed because it is different. The government is determined to accelerate the decision-making process and to improve the quality of decisions. To accomplish this, the government seeks the cooperation of societal organizations and interests groups, and is prepared to further develop institutional forms in which various interests can express themselves. The deliberate clashing of diverse interests is not alien to the existing concept of governance. It has been pursued in pre-decision-making, as well as in protracted conciliatory processes. The practice frequently produced ineffective compromises that were subject to a variety of individual interpretations.

[Question] Accordingly, the decision-making responsibility is great, even at the lower levels. One wonders whether the helmsmen who steer the ship of state, or rather, whether the lower echelon officials who often manifest bureaucratic tendencies, have sufficiently matured to deal with this kind of responsibility?

[Answer] We have been repeating in vain for at least a decade that the tasks of governance must be performed by a smaller but better qualified workforce. In response to these demands the government workforce was reduced by five or ten percent in the course of several attempts. These reductions did not produce the desired results. At this time, however, we are using a different approach. We are not establishing any reduction quotas or percentages, instead we are looking at the functions of each and every government agency and subject those to program analysis and review. In other words, we are using the government agency's mission as the starting point and then determine whether the various functions are needed at all, and if so, what societal benefits they produce. Among the useless governmental functions we find some which are duplicated within several state agencies and social organizations, all of which represent certain interests within a highly structured society. There are just too many midwives and the baby gets lost in the process. If, by chance there appear some favorable results, at least five organizations claim credit. Conversely, no one accepts the blame for failures. As the old saying goes: "success has many progenitors, failure always remains an orphan."

Regarding qualifications, we have made some progress, but there is room for improvement. Almost all municipal executive committee secretaries have completed law school or academic studies in public management. But in the community of Budapest district administrators we still experience counter-selection. These people play a crucial role in terms of public contact.

Only recently have we reached the point where we recognize merit in guaranteeing an opportunity for public participation in social movements, politics and in

civic activities. Political activities were discouraged for quite some time; a greater degree of democracy at the workplace was offered in its stead. In other words, we interpreted the concept of socialist democracy as workplace democracy. It is now apparent that the primary place for democratic expression is in the political arena. This does not negate the need for workplace democracy, but democracy at the workplace must not stand in the way of leadership endeavors for the establishment of order and discipline. For example, we proclaim that we must get rid of people who are not suited to perform their assigned functions. But if one tries to accomplish this, every institution, every political organization and the entire bureaucracy will be up in arms screaming: "you can't do this."

No Mistaken Role

[Question] You mentioned before that there are many parallel functions—a superfluous number of people deal with the same issue. Just to clarify your statement: The government obviously does not want to do away with the expression of public views on issues having a social impact. Is this an appropriate assessment?

[Answer] It is worth stressing: in the framework of the decision-making process, institutions and interest groups must approach the various issues from their own vantage point, and must endeavor to make their views prevail. Trouble begins when roles are misconceived, i.e. when an interest group transcends the scope of its proprietary interest and views the issue from the vantage point of the decision-maker. Interest representation becomes nonsensical if all interest groups do the same things.

[Question] What if the decision-makers expect from interest groups the sanctioning of their decisions, rather than interest representation? This actually happens these days.

[Answer] You are correct. This is one of the existing contradictions. Too often consensus takes the form of joint decision. This is a total misunderstanding of the intended process. Interest groups and decision-makers must not make joint decisions. A decision-maker does not properly discharge his function through joint decisions.

An example for this kind of situation is the relationship between the government and the National Council of Trade Unions [SZOT] in the process of preparing the new tax laws. SZOT disagreed with the government on many points. Despite its opposition on specific issues, SZOT continued to support the overall concept of tax reform. It maintained separate opinions regarding certain issues. In the end the disputed issues were not resolved, instead of resolving these issues the government promised SZOT to revert to the disputed issues at the time the annual plans are prepared.

New, Flexible Forms

[Question] Who in government will implement these changes?

[Answer] Relative to some earlier changes certain tasks were assigned and a core management group evolved—one could call it a “headquarters staff operation.” By now, government workers are aware of the fact that the demands of the “headquarters staff” must be satisfied. At present it is our task to support the establishment of an accelerated decision-making system, and to instill a high degree of professionalism at the higher levels. This must be accomplished partly by broadening our information resources, and partly by tapping the expertise of generalists. To enable this change the internal organization of the Council of Ministers is being changed, in addition to providing the necessary personnel. Along with the traditional bureaucratic and administrative units, we are establishing new, flexible forms of organization. It is only in this kind of structure that government experts can effectively relate to the coordinators of government-directed social and economic programs. We also must develop an effective organizational form to control the implementation of governmental decisions.

Aside from all this, the Council of Ministers secretariat has had, and is expected to continue to have some independent tasks. One of these is the coordination of governmental personnel management, and the preparation of governmental pronouncements pertaining to personnel. Considering the increased significance of the human factor, as well as of the importance of leadership development, these are some extremely responsible tasks.

Other important tasks include the harmonizing of investigations, analyses, conclusions and proposal concepts related to public management development, and the preparation of formal program proposals. These support functions are performed by the Program Office, which is part of the Council of Ministers secretariat. The Program Office also coordinates the investigations supportive of modernizing the non-productive sector. This function receives high level, scientific support from the College of Public Management.

The enhancement and development of relationships between the parliament and the legislature also presents some new tasks. We must establish a mechanism that assures an appropriate flow of information to individual representatives concerning the intents and action plans of the parliament. Similarly, it is important to ensure that legislative committees learn about upcoming parliamentary proposals on a timely basis, to coordinate legislative hearing testimonies to be delivered by the various ministers, and to ascertain that the various state agencies comply with requirements established by the

parliament, regarding assistance to be provided by government agencies to the legislature. A soon-to-be-established secretariat for Parliamentary Affairs will perform these tasks.

[Question] When will the new organization of the Council of Ministers begin functioning?

[Answer] We started working on the new organizational structure two years ago. We eliminated the need to improvise, as well as concerns over possible premature action. Accordingly, the new organization will begin functioning in an orderly manner on 1 January 1988. Its likely name will be “The Office of the Council of Ministers.”

I hasten to add, however, that reorganization in itself does not constitute renewal. Renewal requires a changed outlook, the adoption of a new work style, and the consistent reinforcement of the qualitative features of the workings of “headquarters staff.”

12995

Soviet Minister of Culture Addresses Budapest Artists, Writers

25000012b Budapest HAGYAR HIRLAP in Hungarian
9 Oct 87 p 6

[MTI Article: “Soviet Minister of Culture in the Feszek Club. Restructuring in Artistic Life; Democratization, Openness, Independence”]

[Text] From our reporter.

Soviet Minister of Culture Vasiliy Georgiyevich Zakharov and other members of the artists’ delegation met leading personalities of the Hungarian artistic and literary life yesterday in the Feszek Club.

The Minister stated that the process of reform now sweeping the entire society is most visible and stormy in cultural life. This can be explained by the fact that the human factor is the most important one in social transformation.

“What does transformation mean in culture?”—asked Vasiliy Zakharov, and gave the following answer: first and foremost, that the role of culture and art in Soviet society is increasing. This is no empty word; numerous important resolutions were born in recent times aimed at improving the financial conditions of artistic life. The Soviet state spent much more on culture in the current five-year plan than before. The so-called principle of residue, under which only leftovers from other budgets were spent on culture, has been abandoned. Special support has been given for the preservation of national monuments.

Another important principle is the removal of obstacles in the way of creative work. The former system of bans created situations wherein select groups could monopolize entire artistic areas. Bans are frequently ineffective, and the minister gave an excellent example in hard rock music, which became popular amongst youth despite a ban. Another harmful result of bans was that some branches of the arts fell behind the international forefront. An example is painting, in which Soviet art had excellent revolutionary traditions. In the 1920's Tatlin, Rodchenko, Chagall, Lisitskiy, Filonov were significant figures of the avant garde, yet the public was not allowed to see their works. In future no school of art should be forbidden.

This does not mean, though, that state directives could be neutral amongst competitive directions, since some areas are especially deserving of support. For example, folk art—with its great biannual festivals in the Soviet Union—is amongst the most preferred branches of Soviet art. Likewise, classic and pop arts cannot be supported to an equal degree. Bans, however, should not apply to individual directions, but to specific works which happen to offend good taste or promote nationalistic or chauvinistic ideas that are alien to socialism.

The cultural life is increasingly characterized by democratization, openness and independence. Leaders of theater workshops receive a growing scope of autonomy. Taboos are vanishing from the field of criticism, leaving no institutions or direction inviolable. For example, the Great Theater, now giving guest performances in Budapest, used to be a taboo. Now, however, they too must put up with harsh criticism; it is not an easy matter to get used to it.

All this does not mean that the process of restructuring is free of problems. Democracy, too, can have its excesses, since it was shown that overly wide power of theatrical councils hampers artistic leadership. The leadership of theaters must thus be in the hands of exceptional artists, not collectives, with decisions within the realm of artistic and stage directors. Some even suggest that the influence of the state should be totally eliminated, except for financing the arts, and the life of the institutions should be totally determined by artistic unions. Of course, the state authorities disagree with this. At the same time, the minister repeatedly emphasized that socialism is improved by more democracy.

Vasiliy Zakharov then answered questions by Hungarian artists.

Several new exhibits opened yesterday in the Museum of Labor Movements on the occasion of the 70th anniversary of the Great October Socialist Revolution and Soviet Culture Days.

A visiting exhibit of the Soviet Central Revolutionary Museum, titled "The Great October and Today," revives the events of the October revolution with a rich photographic documentary.

The exhibits were opened by Deputy Ministers of Culture Ferenc Ratkai and Vasiliy Serov of the Soviet Union.

13240

Travel Restrictions Eased, Currency Exchange Quotas Not

25000017 Budapest MAGYARORSZAG in Hungarian
9 Oct 87 p 25

[Article by Sandor Novobaczky: "Crumbling Barriers—Passport Regulations To Undergo Major Changes: 'We Have Come a Long Way...'"]

[Text] "Travel Restrictions Eased," was the title used by the press and the Hungarian Telegraph Agency to characterize the government's recent decision to implement a new system for issuing passports.

To say that they have been eased, in our opinion, is an understatement. Far more has happened. The new system constitutes a fundamental change in the way passport requests have heretofore been handled.

The fact that many people still have not grasped the full significance of this decision, that even the press has failed so far to get to the bottom of the matter, or that the announcement has escaped the attention of many readers is not surprising for a number of reasons. First of all, the "easing" is coming at a time when many other things are becoming more serious. The reverberations in our public forums of the anxieties created by the new tax law can still be heard. There has been a great deal of talk about inflation, the declining standard of living, redistribution of manpower, etc. But there is another comment which needs to be made here: my, how short our collective memory can be! Could we have forgotten how we have got to this point; the tortuous road we have had to walk to get from a situation of air-tight borders to free passports? The third reason perhaps is that from the maze of complex provisions in the travel regulations it is difficult to unravel the essence, i.e., the key point which distinguishes a simple easing of restrictions from a major change.

"Real" Passport

That key point in this case is the fact that for the first time in 4 decades, Hungarian citizens will have real passports. For people have been allowed to travel before, at least for some time now. Not only to the East, but also to the West, albeit with some time restrictions. The controls that remained have been more or less in accordance with the financial situation of the populace, as

most people have not even been able to take full advantage of the opportunities open to them. They have not had enough forints to buy the hard currency they are entitled to receive every 3 years, or to sign up for those increasingly hard-to-afford organized tours. So the novelty lies not so much in any particular change of practice as in the fact that a principle turned dogma of several decades has finally been abandoned. Namely, the insistence on keeping every trip out of the country (to the non-socialist countries) under control. Until now passports have been issued for 5 years—at least on paper. In reality, every trip had to be applied for separately, just as if one were requesting a new passport. The pass on the bottom of people's desk drawers, the booklet that was supposed to provide them access to the whole world, was therefore nothing more than a fancy-looking document which could only be used if the person wishing to travel had first taken his request through certain administrative stages: i.e., if he had first obtained a letter of invitation along with a notarized translation; filled out an application (this used to be a 4-page form, inquiring into the names, occupations and other personal data of the applicant's father, mother and siblings, as well as information pertaining to any relatives abroad—a little while ago, it was fortunately reduced to a single page), submitted a certificate of approval from work, revealed who and from what source would purchase the necessary foreign currency, etc. Then it took another month before the exit visa, the "window," or as it has recently been called, the insert, finally arrived. (To the foreign authorities the passport has always appeared complete, only the Hungarian border guard knew that it also had to have an insert without which it was worthless.)

This now is past history. We will be issued passports that will be valid for 5 years with which we can cross the border any time we wish. We will not need to have windows or inserts, and the degrading practice of having to request letters of invitation will also fade away.

We will not be making any more money than before, and our foreign exchange allotment will not be raised. But then what country gives people money for individual travel? True, our situation is further complicated by the fact that our forint is not convertible, which means that even those with high incomes will not have unlimited access to hard currencies. However, one must also admit that it is difficult to expect a state that is billions of dollars in debt to make more hard currency available for travel in its current dire situation. For objectivity's sake it should be pointed out that even during the most difficult fiscal times of the past 10-15 years, and even amidst our well-known liquidity problems, the individual hard currency allotment of the populace has been left intact. (This despite widespread fears that it might be frozen.)

Why then are we making such a big thing of this new regulation? one might ask. Because this is how many people feel: I do not want to do a lot of travelling; I have neither the money, nor the time, nor perhaps even the

desire to do so. All I want is to be certain that I can travel whenever I feel like it. I want to be trusted and to be treated like an adult. I do not want anyone to patronize me or to pry into whom I am going to visit and why, or to presume that I would cheat, steal or pan-handle while abroad, collude with foreign agencies and abandon my job, my home and my family. One feels much more comfortable in a house where the doors and windows can be opened. This also applies to passport doors.

Secret of Secrets

All considered, the new regulation amounts to more than just an illusion of freedom. It has practical benefits as well. For example:

1. In the past when someone visited, let us say, a relative in Vienna for 3 days, he was not allowed to cross our western border again in the same year. This prohibition was difficult to justify by claiming non-availability of funds.
2. Even those with BC [hard currency] accounts were ineligible to receive exit visas.
3. The 18,000-forint annual hard currency allotment per person could not be spread out over two or more shorter trips. Now it can be.

The question can rightfully be asked: why now, and why not before? A tough question to answer. Among the restrictions I have just listed there is not a single one that could not have been done away with 2, 3 or even 5 years ago. The issue had been raised at various forums before, but the competent authorities had always shied away from addressing it. (In our country, incidentally, it used to be standard practice to insist that the statutory provision in effect was the only possible and redeeming rule to live by. And when suddenly it turned out that it had to be changed, the justification always included the line "heretofore it has not been considered timely.")

This recent decision has been explained various ways by different people. There are those who see the spirit of "glasnost" behind it; others see it as a result of the relaxation of the international situation. Still others view it as an introductory gesture by the new government. The most commonly voiced supposition, however, is that the leadership wants to divert attention from other unpopular measures. It would be naive to believe that the new passport regulation will cause millions to forget their concerns about the standard of living. People desire more freedom and more democracy. Why should we not be able to rid ourselves of the useless concrete barriers that had been erected during the iron age of our society?

For as far as the passport regulations are concerned we have come a very long way to achieve the openness we enjoy today.

After the Thaw

In mid-August 1956, for example, one of the reporters of *MAGYAR NEMZET* had been assigned to look into this secret of secrets, the issuing of passports. As he reported in his article, he had asked a group of people waiting at the complaint department of the passport office how long they had been requesting to be issued a passport. He learned that they had been waiting for 2-3, and even as long as 7-8 years to be allowed to visit their relatives, only to receive the same short rejection even to their appeals: "Your request cannot be fulfilled at this time." Back then there were no statutory provisions in effect at all to regulate this mysterious area. In 1955, altogether 1,703 people were granted passports to travel to the West. Between 1949-1953, hardly anybody had been allowed to travel. (During those days people had hardly even dared to correspond with their relatives in the West.) For reasons still beyond my comprehension even travel to the neighboring fraternal countries had been forbidden. And when occasionally—as someone at IBUSZ [Touring, Money Changing, Traveling and Shipping Co. Ltd.] had told me—a trainful of soccer fans would leave for Czechoslovakia half of the passengers would disappear from the train right after crossing the border to visit relatives in Slovakia whom they had not seen for years.

The thaw began in the late 1950's and early 1960's. It was then that, however sparsely, organized travel to both the East and the West began to pick up; still it took some hand-to-hand combat to become one of the lucky few. Then came the sensational announcement in 1962: travellers would be entitled to a hard currency allotment of \$70 per person. Later this was increased to \$100, then to \$130, and eventually—as a result of inflation—to \$300-\$310. Initially not everyone was able to obtain this hard currency allotment. (It was left up to the bank's discretion to decide who was eligible and who was not.) At first only gradually, and later rapidly the number of travellers began to increase: in 1975 215,000, in 1981 425,000 and in 1986 896,000 people were issued passports to travel to the West. (About 25 percent of them on official business.)

Meanwhile, virtually unnoticeably, the fear of defections, that had been the source of distrust for so long, disappeared. For several years now, the Public Prosecutor's reports have been proudly boasting about the fact that the number of "unlawful departures and refusals to return" can hardly be expressed in terms of percentages anymore. Not to mention the fact that people staying abroad to find employment today are feared like fire in the West.

Despite all the improvements, the easing of regulations and more liberal policies, however, one hindrance remained: every trip abroad had to be separately authorized. Now even this hindrance has been removed. (As the Prime Minister put it at his news conference following the last session of Parliament: Why should those who

can afford it not be allowed to travel?) The road is now open to anyone who is willing to spend his 3-year hard currency allotment or any portion of it on travelling, as well as to those with foreign exchange savings or BC accounts or perhaps money received from relatives or friends for purposes of travel.

There are still plenty of unclear questions of detail as the official decree will not be issued until November, and will not take effect until 1 January. We already know that participation in organized tours will also become easier, and that when travelling with a group through a travel agency people will be able to take several trips a year to the West, and will even be allowed to pay their way in forints. Individually, we will be able to travel as often as we wish, provided that we have 3,000 forints worth of legally authorized hard currency before departure. (We will also be able to take along 2,000 forints worth of "pocket money" in hard currency, but only in addition to the 3,000-forint minimum.)

It is another question where we will travel, and how far we will get. In the case of Austria—where we do not have to have a visa—we are not anticipating any problems. However, the restrictions introduced by several Western countries—particularly those implemented by the French—have not come at the best time for us globetrotting Hungarians. It is possible that we will soon get to the point where it will be easy to leave Hungary, but difficult to find any places to enter.

9379

Raffay Book on Transylvania Published, Held Up Since 1982

25000015 Budapest ELET ES IRODALOM
in Hungarian 23 Oct 87 p 7

[Interview with Erno Raffay, by Laszlo Domonkos: "Honestly About Transylvania; Conversation About Historiography and So-Called 'Historiography'." Raffay is the author of the recently published book "Transylvania in 1918-1919." Date and place of interview not given. First paragraph is ELET ES IRODALOM introduction]

[Text] Erno Raffay's book "Erdely 1918-1919-ben" [Transylvania in 1918-1919] appeared recently and became a sensation practically within days. The chapters of this volume of essays discuss, among other things, the following: the Romanian propaganda drive to acquire Transylvania; the Hungarian-Romanian negotiations in the autumn of 1918; the occupation of Kolozsvár [Cluj] at Christmas in 1918; the liquidation of Hungarian public administration and state power; the atrocities committed against the civilian population; and details of the armed and the passive resistance. In addition, the book offers free scope to investigate the responsibility of historiography in shaping mutual relations between peoples, and in enforcing the standards of historical truth, objectivity, and scholarly integrity. We discussed these

questions also with the young author when we interviewed him in conjunction with the publication of his book. He is a history instructor at Attila Jozsef University, in Szeged.

[Question] In your book you discuss how Hungary's occupation by the advancing Romanian troops affected the situation of the Hungarian Revolutionary Government and of the Hungarian Republic, in late 1918 and early 1919. Your occasionally vivid descriptions reveal literary talent, and your passion repeatedly breaks through the disciplined framework of meticulous and cold scientific prose. What biographic factors attracted you to this subject? Is this attraction due to family ties, origin or to some other, special factor?

[Answer] Not at all. My family comes from Baranya Megye. There is an extremely vague trace of our roots in Transylvania, but this family legend is so remote that I myself wonder whether there is any truth in it. The formative influences to which I was exposed came from an entirely different direction. Although my homeroom teacher in secondary school taught biology, he nevertheless aroused my interest in Transylvania. I hate to even think of what we were getting in our history class. In the summer of 1969, upon graduating from secondary school, a friend and I went to Transylvania, where we discovered a fantastic world. We spent three weeks there, mostly among the Szeklers in Eastern Transylvania and, of course, elsewhere as well. That experience was probably decisive and indelible. On several occasions thereafter, I wanted to go there again. But I did not yet have my teacher's diploma and, earning not quite 900 forints [a month] as an assistant teacher, I could hardly afford such a trip. As a university student, however, I visited Transylvania regularly, wearing out two passports in the process and gaining more and more friends and acquaintances there.

[Question] You probably became interested in your specialty during your university studies.

[Answer] I received help and encouragements primarily from Professor Daniel Csatari, who was researching the history of Central and East Europe. Although the paper I presented at the national scientific conference of students, in my third year at the university, was still on the Hungarian and Serbo-Croatian issues in 1848-1849, I definitely wanted to specialize in Central Europe's nationality question. I taught myself Romanian, and in my fifth year at the university I could already do occasional translations at the Institute of Historiography. In the final analysis, my interest has not been limited solely to the Hungarians of Transylvania but has included also the other two peoples living there. I find Romanian folklore appealing and have several hundred Romanian acquaintances. Those three tightly packed shelves over there contain only works in Romanian. Incidentally, my dissertation was on the situation in Transylvania in 1918-1919.

[Question] Is your recently published book an "out-growth" of that dissertation?

[Answer] Yes, but merely in a technical sense. There was also a far more important motivation of an entirely different nature. When you take a close look at the World War I period, the thought strikes you almost automatically: Good Lord, how could this have happened the way it did?! And when you begin to probe your memory for what you know about the loss of Transylvania, you will find at most a chance word or two that have practically slipped in, a hackneyed phrase, or a dogmatically worded sentence of platitudinizing propaganda. At least my generation will. We know extremely little about Old Hungary's disintegration. I remember that my grandfather frequently cursed Clemenceau, and many of my contemporaries could probably recall similar memories from their childhood. But the reality of handed-down personal memories basically differs from the facts of historiography. I began to search and was soon surprised to find how much material is available on the agony of historical Hungary. This is how I arrived at the Transylvanian chapter of historical Hungary's disintegration.

[Question] In the foreword to your book you mention that you used the source material in domestic archives, especially the National Archives and the Military Archives, and also the Hungarian and Romanian special literature and press reports. You also note that you were unable to use the source material in Romanian archives. However, your foreword is dated December 1982, but your book appeared this summer. In the introduction to your annotations you mention that you spent the preceding five years collecting material for your book, which took shape by 1982. Thus you have devoted roughly a decade of your life to this book that analyzes Transylvania in 1918-1919. How do you explain the rather long journey from the last keystroke on your typewriter, to the published book's emergence from the press?

[Answer] With the time it usually takes a published work to get through the press in Hungary, and with the cumbersomeness of domestic book publishing. The delay was certainly not the fault of the Magveto Publishing House. Incidentally, the book started its journey, if you wish, on the last workday in 1982. That was when I delivered the complete manuscript. Earlier, in mid-1982, MOZGO VILAG and TISZATAJ had published a chapter each.

[Question] I am certain that the impact of "Transylvania in 1918-1919" is comparable to that of the three-volume "Erdelyi Története" [History of Transylvania], which appeared a good six months ago, to immediate wide acclaim. Both are historical works, books written by historians on a special subject. Their extraordinary reception, I believe, is warranted by their topic and by this region of Europe. As an author and scientist, what do you say to all this?

[Answer] I have had opportunity to experience directly the unusual interest in my book. As the author, I was entitled to 30 copies, which proved to be far too few. A day or two after publication, therefore, I wanted to buy additional copies. Walking about Pest for about 6 hours, I was unable to find a single copy. I am getting requests for copies from Chicago as well as Ujvidek [Novi Sad].

[Question] On the basis of my own similar experience, I am able to attest that what you are saying stems neither from your vanity as the author, nor from a desire to indirectly promote the sale of your book.

[Answer] I attribute this reception primarily to the fact that, in addition to the aforementioned two books, hardly anything has been published in Hungary on this topic since 1945. The crying thirst for knowledge cannot be quenched. All this is entirely understandable, logical, and—no matter how regrettable—rather depressing. It means that a painful chapter of their modern history was sealed to the wide masses for long decades. Thus they were able to obtain hardly any meaningful historical information of scientific value, about a region that for a thousand years had been a bastion of Hungarian intellectual life, as well as an outstanding special concept in the historicity of our national awareness. The book's reception reminded me of what had often come to mind during its writing: the historian's enormous responsibility. Is he allowed to write about the profound conflicts between two peoples? Or is he not allowed to do so, because that would "merely aggravate the situation further"? In the opinion of some historians and politicians, it is preferable to emphasize what may be regarded as nice in our history: the joint struggle of Hungarians and Romanians in the working-class movement, the attempts to settle differences, the facts that promote rapprochement.

[Question] You do not go along with the "let us remember only what was nice" school of thought?

[Answer] The honest thing to do is to present the details of our joint history frankly, in civilized language, based on facts that are not glossed over. Let there be honest debate that clarifies, rather than obscures or falsifies. After all, it is so obvious: if I speak my mind frankly, my opponent is not obliged to wonder about what I might have left unsaid. When the opponent is called a fascist, when rude accusations are exchanged that falsify history, nothing is ever clarified, only perhaps qualified. We must strive to finally bring somewhat closer to each other the two peoples that have been so often manipulated in the course of their history and have been conditioned to regard each other immediately with suspicion, practically as a reflex. The way to achieve this is through the frank presentation of the facts. That is the only way.

[Question] All this sounds noble and convincing, but we know very well that the other side is professing exactly the same principles. They too are speaking of facts, common interests, and frankness.

[Answer] Since the middle of the 19th century both Romanians and Hungarians have constantly been subordinating their historiography to the considerations of power politics, to serving timely political objectives, always with some ulterior motive. In practice they have made historiography a tool of political manipulation. That is intolerable. The real data, the incontrovertible facts may be suppressed but can never be altered. It is possible to blaringly disseminate anything by means of a huge propaganda machine, but the truth still remains, can be documented and proven. For example, that Goldis and Cicio-Pop intentionally made misleading statements to Hungarian newsmen after the 15 November 1918 session of the Romanian Central National Council, to temporarily lull Hungarian public opinion, which could hardly imagine losing Transylvania. It was not certain, they said, that the Gyulafehérvár [Alba Iulia] convention—preparations for it were then already underway, and subsequently the Romanians unilaterally proclaimed there Transylvania's secession from Hungary—would vote for a union with Romania.

[Question] What was the convention supposed to do instead?

[Answer] Borrowing Oszkar Jaszi's terminology, Goldis and Cicio-Pop insisted that they would transform Transylvania "as a republic" into the "Switzerland of the East," with autonomy for every nationality living there. Another example is the telegram of the Hungarian National Council in Csikszereida: it branded the occupying Romanian military administration's practice of confiscating not only military equipment, but also food and livestock, as an obvious attempt to ruin the Hungarians living in Transylvania. I agree with that assessment and wish to add what I have pointed out repeatedly in my book: that the Romanian troops entering Transylvania in the autumn of 1918 were provenly so poorly equipped and supplied that it was necessary for them to confiscate all firearms, horses and food from the population. For the security of the occupation forces, moreover, it was especially important to collect within the shortest possible time all firearms from the traditionally freedom-loving Szeklers.

[Question] We have already noted certain similarities between your book and the volumes of "The History of Transylvania" published by the Akademia Publishing House. Do you think we can expect a recurrence of the angry Romanian response to those volumes?

[Answer] I believe that a relationship does exist between the quality of Romania's nationality policy and "The History of Transylvania" or my collection of essays. Also for this reason, I cannot agree with the view that we are only worsening the situation of the Hungarians in Transylvania whenever we publish anything about them here at home. The point, I think, is the exact opposite. As the government also emphasized in the statement it issued in conjunction with the events taking place at the beginning of this year, how the lot of the Hungarians in

Transylvania develops is a very important domestic political issue as well. No responsible government can remain indifferent to a neighboring country's nationality policy when it affects an ethnic group of nearly two million people who speak our language and have shared our culture and history for a thousand years. Thus it is the duty of every responsible historian to finally speak frankly also about Transylvania, specifically in the spirit and interest of that much desired rapprochement. As much as possible, but more honestly.

1014

Taxation of Artists, Writers Discussed
25000012a Budapest MAGYAR HIRLAP in Hungarian
7 Oct 87 p 4

[Interview with Werner Riecke by Maria Lakatos: "Tax Breaks' and Load Sharing"]

[Text] Much stir was created by Erzsebet Galgoczi's article in last week's ELET ES IRODALOM, announcing her resignation from the chair of the core organization of the Writer's Union. Her arguments redirected attention to the already oft-analyzed tax preparation work and to discussions with leaders of social organizations. We questioned Werner Riecke, member of the tax reform committee, about the fate of tax breaks to writers.

[Question] The original wording of the proposed law offered much more favorable taxation to those protected by authors' rights, i.e. including writers, than the version that was approved. Why were the tax breaks cut by half?

[Answer] Preparatory work was performed in the so-called coordinating committee, which included not only Ministries but also special interest groups. The first proposals generated here were then discussed widely in various professional organizations, county party committees, the Chamber of Commerce, etc. In the process the Ministry of Finance was severely criticized in several places, e.g. in the KISZ and in county party committees, for offering artists excessive tax breaks compared to other professional groups. Under social pressure we thus moderated these tax breaks, but this does not mean of course that nothing was left of them. For example, if the gross income of an employee is 200,000 forints per annum, then after the deduction of the 12,000 forints concession he pays 44,120 forints tax. If the same 200,000 forints results from authoring then the tax base is only 35 percent, i.e. 70,000 forints, of which 4,400 forints goes to the budget. Thus through the 65 percent reduction we acknowledge the associated expenses, i.e. we offer tax breaks. However, if legitimate expenses exceed this, e.g. for artists, then they may itemize and deduct in excess of 65 percent. Above 200,000 forints the tax base is 60 percent.

[Question] On the other hand, for smaller obligations below 2,000 forints. Parliament approved a lower tax rate than originally proposed, upon the recommendation of representatives.

[Answer] The original tax rate of 20 percent was raised to 30 percent as a result of consultations, but returned to 20 percent upon recommendations of parliamentary committees. Yet the committees did accept the above-mentioned tax breaks, without modifications. I believe everyone remembers that despite many debates, on one issue there was almost full agreement all around: tax breaks and exemptions should not be too widespread, for this would contradict the principle of equitable load sharing. On the other hand, the PM [Ministry of Finance] maintains that intellectual achievements should be recognized through compensations, not taxation. After all, for taxation purposes all incomes are the same, and only its size matters, not the social standing and value of the activity which brought it about, which is the task of wages and honorariums. By departing from these principles we would open the way for innumerable other exceptions, and the price of ever-increasing exceptions and exemptions would be paid by the remaining groups.

[Question] In the past months we heard several times that honorariums which have become obsolete and worthless a long time ago will be re-assessed.

[Answer] Work is already in progress and the PM supports the settling of honorariums. However, this depends not only on the budget, since it also affects the economy of the publishing companies.

13240

Hungarian Journalists in USSR Observe Glasnost, Perestroika
18070015z Vilnius SOVETSKAYA LITVA in Russian
13 Oct 87 p 3

[Article by Levente Kaposi, editor in chief of the newspaper NEPI UJSAG, Janos Kopka, editor in chief of KELET MAGYARORSZAG, and Erwin Naplo, editor in chief of DUNANTULI NAPLO, in the column "The Word of Our Friends: A Month in the Heart of Perestroika and Glasnost"]

[Text] Perestroika, glasnost. . . . There is not a foreigner who would not be interested in present-day Soviet reality. Especially if the foreigner comes from fraternal Hungary and by profession is a journalist or party worker.

A month ago, our group, with great interest and expectations, came to Moscow, to the Institute for the Exchange of Experience of Socialist Construction of the Academy of Social Sciences at the CPSU Central Committee. Recently one has been able to hear and read a great deal about the large-scale changes in the Soviet

Union. However, it is one thing to hear, and quite another—to observe the signs of the processes of restructuring and glasnost. It goes without saying that a few weeks spent in the Soviet Union are an insufficient time to fully realize the essence of the changes. Nevertheless, the meetings, conversations, exchanges of views, and—in so far as we are talking about students—lectures have made it possible to develop a much more authentic concept of the important processes in the life of the country.

During our stay in the Soviet Union, we had the opportunity of meeting with executives and workers of the editorial boards of PRAVDA, SOBESEDNIK, NAUKI V SSSR, MOSKOVSKIYE VEDOMOSTI, and the State Committee for Television and Radio Broadcasting, and were able to become personally acquainted with the practice and the plans of party work of the Perovskiy CPSU Raykom and the Serpukhovskiy City Party Committee; we were also in scientific institutions, for example, in the Economics of the World Socialist System Institute, under the USSR Academy of Sciences, headed by Bogomolov, which is also widely recognized abroad, and the Scientific Research Institute of the Tire Industry. Regardless of where we were, everywhere there open and straightforward talks took place, talks that were aimed at concerns and problems, at the aspiration to break with the previous way of thinking, as well as the feeling of deep responsibility for the fullest and most general realization of the tasks of reconstruction.

The members of our group are journalists occupying leading positions and party workers who are carrying out leadership through the mass media. For this reason, we were especially interested in questions related to the role of information for the masses in the changes taking place in present-day Soviet society and in the solution of urgent and long-term tasks.

The exchange of views with Soviet party workers and colleagues in the field of journalism convinced us once more of the fact that the present-day mass media are open to all questions: Ideological, political, social, and economic; that the mass media have occupied a place in the vanguard of the process of exposing errors and in the authentic, undistorted portrayal of historical events and individual personalities. They are conducive to the correct vision of the events of today and its problems and to the realization of the tasks that are most important for the country. All of this requires boldness and increased responsibility from the workers of the press, radio and television. And at the same time—the search for new methods and solutions, such as, for example, the renewal of television and radio programs and editorial work. Indicative of the success of this search is the fact that during the past 2 years the number of subscribers to printed publications has increased by several million, and confidence in the press is indicated by the stream of letters from readers. It goes without saying, even in the sphere of the mass media, as in all others, there are still

undisclosed resources; in the words of our Soviet colleagues, with respect to the boldness of the press, a great deal can be learned from the decisions being taken by the central party leadership.

During our stay in the Soviet Union, the trip of comrade M. S. Gorbachev, the general secretary of the CPSU Central Committee to Murmansk took place. The speech which he gave once more confirmed the orientation of Soviet foreign policy toward detente, the reduction of the level of armaments, and the creation of an all-embracing security system. In this speech, which serves as an example of the new political thinking, new initiatives were expressed, in particular with respect to the creation of a nuclear-free zone in Western Europe, the coordination of the actions of the northern countries for the protection of the environment, and the idea of the development of a single North-European energy program. M. S. Gorbachev welcomes the initiative of the head of the government of Finland [as published], Mauno Koivisto, aimed at the limitation of the activity of the fleet in Northern Europe. He even proposes to open the Northern Sea Route for the passage of foreign vessels accompanied by Soviet ice-breakers.

We, Hungarians, are convinced that the numerous proposals, initiatives, and readiness for discussion is indicative of the aggressiveness of Soviet foreign policy defending the interests of detente, of its flexibility and constructiveness. This is extremely important for all socialist countries since the reduction of armaments will make it possible to concentrate resources on the acceleration of economic development. For this reason we are so interested in the successful realization of the intentions of the Soviet Union and the socialist countries.

Of great significance for us is the unanimous conclusion of our Soviet comrades expressed in the course of our exchange of views that one of the most important tasks is the restructuring of the consciousness of people in the interest of socio-economic progress, the overcoming of stereotypes, the formation of a new system of values, and the process of the broad democratization of society. This is important because of the fact that restructuring is possible only provided that the popular masses participate in it on a broad scale. Our conversations also dealt with concrete steps in the sphere of the development of intra-party democracy—the basis of the development of socialist democracy and the efforts that are being undertaken in the interest of increasing the role of the Soviet and public organs and in the interest of deepening democracy at the work place. We talked about how this is being promoted by socialist legislation. We became convinced of the enormous importance of this work and of the long term nature and increased exactingness in regard to the training of ideological workers. The success of the ideological “break-through” will in many respects be conducive to the realization of economic, social, political and cultural tasks. We take believe that our Soviet friends are firmly inclined to persistently implement the restructuring in spite of the numerous difficulties arising along this path.

With great interest we read the speech of M. S. Gorbachev delivered in Murmansk, in which it was emphasized that at the present time the most important sphere of restructuring is the economy. It was noted that, in spite of the changes that are present in the economy, radical changes have not taken place in it thus far. The large-scale nature of this task has found reflection in the following words of the general secretary of the CPSU Central Committee: "We must not nourish illusions, you see we are not talking about cleaning out the corners and about painting the walls, but about rebuilding the building."

During our stay in the Soviet Union, we frequently talked about the new Law on State Enterprises, about the system of cost accounting, self-financing, and the new methods of management, i.e., about the new economic mechanism. We are well acquainted, not only with these questions, but also with the practical tasks connected with their solution: for example, the improvement of labor organization, the increase of quality and efficiency, the better utilization of working time, the acceleration of technical progress, and everything that signifies an increase in the quality level of the national economy.

In the course of an open, comradely exchange of views it becomes evident that the transfer of the economy to "new rails" requires lengthy, consistent and intensive work. In this connection, the exchange of experience makes it possible to penetrate into the essence of the new economic mechanism and the appropriate measures for its introduction, as well as the results already attained in this sphere.

The general and successful realization of restructuring in the USSR is important not only for the country of the Soviets, but also for the entire socialist commonwealth, including Hungary. It is important from the point of view of the development of the development of the world system of socialism. The realization of restructuring can be especially conducive to the further strengthening of the economic relations between the countries, in particular to the renewal of cooperation within the framework of CEMA. For this reason we wish our Soviet friends every success in their creative work.

We consider it a great honor that, while taking courses and during our study of the experience [of the Soviet Union], we were given the opportunity of visiting the Lithuanian SSSR and to become acquainted with this republic. With great interest, we took in the information about the achievements of the fraternal Lithuanian people, about the plans for the renewal of all spheres of society and the economy. The work in regard to the untiring improvement of the living conditions of the population deserves special recognition. Evidence of this is the comprehensive conception of the development of Vilnius, which is embodied in the construction of beautiful, modern mikrorajons, in the reconstruction of the historic zones of the city, and the solicitous attitude toward them.

Upon returning to our homeland, we, the party workers and journalists, within the framework of our activity, will promote the augmentation of the knowledge of the Hungarian people about Lithuania, the deepening of the friendship between our peoples, and the further strengthening of fruitful relations between them.

8970

ROMANIA

German-Minority Issue Discussed at Munich Meeting

23000019 Frankfurt FRANKFURTER ALLGEMEINE ZEITUNG in German 4 Nov 87 p 7

[Article by Viktor Meier: "Romanian Germans Are Exiles in Their Own Country": The Student Organization of the Transylvanian Saxons Supports Those Wishing To Emigrate"]

[Text] Munich, 3 November. For 800 years, the Transylvanian Saxons have played a decisive role in the history of their country, which has belonged to Romania since 1918, and they have also shaped the appearance of the towns and villages architecturally with their massive square church towers and fortresses. Now they call themselves "a vanishing national minority" or "a population group in the process of erosion." Together with their "younger" relatives, the Banat Swabians, they now calculate that there are scarcely more than 200,000 Germans in Romania. At a meeting of the Academy for Political Education in Tutzing, the student organization of the Transylvanian Saxons attempted to give a balanced presentation, and to deal with the difficulties which are caused on the one hand by the erosion of the national group in Romania, and on the other hand by the assimilation of the new arrivals into the FRG.

The Romanian Germans and their organizations in the FRG are fighting on two fronts: they want to try to win from Romania an increase in the annual emigration quota, at the moment somewhere between 11,000 and 15,000, but at the same time they have to face those in the FRG who absolutely want the Romanian Germans, particularly the Transylvanian Saxons, to stay just where they are as a kind of living museum, and do not even hesitate to present this view actively to the Federal Government. In the eyes of the student organization, which in other respects maintains a correct relationship with Romanian authorities, it has been established beyond all doubt that the overwhelming majority of Romanian Germans, perhaps 80 percent, want nothing more than to emigrate. This is the result not only of the poor economic conditions in Romania at this time, which make a normal existence impossible for these people, but also of the whole policy of denationalization under the banner of a Romanian nationalism which has become almost an obsession, a policy which would probably be little altered by the departure of state and

party leader Ceausescu. The expropriation and collectivization measures of the communist regime long ago cut away the ground under the feet of the community. The Romanian Germans, as the student organization put it, are "exiles in their own country."

It is said that 68,000 applications to emigrate are still being held unprocessed by the Romanian authorities. It is impossible for thousands, even tens of thousands of people even to submit an application at this time, either because obstacles are put in their way or because they are then threatened by serious disadvantages which they cannot ask their families to accept. Even when emigration is imminent, difficulties continue. Romanian officials often try to demand illegal special payments in foreign currency, up to DM10,000 per person, this in addition to the payment of approximately DM8,000 which Bonn officially pays for every German emigrant. Foreign Affairs Minister Genscher is to undertake the difficult journey to Bucharest before the end of November, hoping to achieve both an increase in the emigration quota and the elimination of abuses. The moment appears auspicious, although the Ceausescu regime demonstrates an ever-increasing bunker mentality, which no longer places much value on normal relations with the outside world, either East or West. But at the same time Romania is trying to win concessions from the EEC, and also does not wish to forfeit all its arguments in dealing with the American Congress, which is planning to bestow most favored nation status on the Romanians. The

student organization of the Transylvanian Saxons regards it as inhumane when people have to wait up to a decade to emigrate because of the current quota, and are forced to spend the best years of their lives waiting.

The meeting of the Transylvanian Saxons had hard words for those in the FRG who would like to prevent emigration rather than expedite it. It was felt to be particularly tragic that the spokesmen of this tendency should include official circles of the Lutheran Church in Germany. But there are also politicians from all camps, who, like representatives of the church, are persuaded by designated minority spokesmen during brief visits to Romania that things are not all that bad for Romanian Germans, and that it would be a pity if this "outpost of the Occident" or "bastion of Lutheranism" were simply to disappear. The representatives of the Lutheran Church in Transylvania, particularly Bishop Klein of the diocese of Hermannstadt, are said to have changed their attitude over the course of the years, under pressure from the Romanian authorities, from neutrality to active support for "staying here." A former city pastor from Kronstadt tells how Transylvanian pastors were sworn to "correct" statements by the "securitate"—the Secret Service—before official visits from Germany. He marvels at the naivety of both political and ecclesiastical visitors who regard the resulting statements as genuine.

09337

ALBANIA

Greek Source Reviews Military Situation

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27 Oct 87 pp 18-19

[Article by Giorgos Angeles: "Albania. Into the 'Light' after 40 Years. Inter-Balkan 'Window' for Albania—Alia's 'Opening' to Arm and Modernize the Army"]

[Text] Albania's decision to participate in the inter-Balkan conference of Foreign Ministers in Belgrade did not come as a great surprise to the Balkans and Europe. It was a natural continuation of the policy of openings to the rest of the world which our neighbor has been timidly attempting after so many years of total isolation.

Since 1985 Tirana has pursued a significant improvement in relations with our country (and with Italy) in particular, culminating in the Papandreou Government's decision a few weeks ago to end the decades-old state of war between the two countries; this puts Greece's claims to Northern Ipeiros "on ice."

The 300,000 Greeks of Northern Ipeiros have been left to their fate, according to their representatives, and their hopes now rest with the Albanian Government's new policy.

This policy is watered with the blood of former Defense Minister Mehmed Shehu. Various sources report that Enver Hoxha himself shot and killed Shehu during a quarrel over foreign policy in December 1981. Shehu had dared to oppose the Albanian dictator on various national as well as personal issues. The most significant of these was Albania's isolation, which Shehu maintained had gradually destroyed the operational capability and arsenal of the Albanian People's Army, which is the backbone of the country.

A "Suicide"

Shehu realized that in a few years the People's Army would be completely incapable of defending Albania. And because the Army's role is not just a military one, its collapse would have serious consequences. Shehu, a veteran of the Spanish Civil War and one of those chiefly responsible for the Communist victory in Albania in the civil war of 1941-44, disagreed with Hoxha's policy and stressed the need for openings to "certain friendly countries" if the People's Army was to be saved and strengthened.

He supported his proposal with the argument that if the People's Army collapsed, it would lead to social disturbances and Albanians' confidence in their leaders would be shaken.

Obviously the discussion turned nasty and Hoxha killed Shehu and later announced that he had "committed suicide." In December 1982, however, Hoxha stated that

his former comrade had attempted to murder him and that he had been an agent of the CIA, the KGB, and Yugoslavia's SDB! And various sources report that Hoxha took a leaf from Stalin's book and ordered the slaughter of 1000-1500 of Shehu's "people"; this was carried out by the country's dreaded secret police, the Sigurimi.

When Hoxha died in April 1985, Albania was totally isolated. The fanatical Stalinist who had held power since 1944 believed that he headed the only "true" Marxist-Leninist regime in the world and had severed relations with Yugoslavia in 1948, with the Soviet Union in 1961, and with China in 1977.

These were the only countries with which Albania had had any military cooperation. Because of Hoxha's irrational policies, the cooperation never lasted very long, however. And yet it was a matter of vital importance for Albania, whose army had no other source of arms. As noted above, defense was a mania with Hoxha so that he literally filled the country with fortifications, trenches, and pillboxes. The role of the Army, at least as Hoxha viewed it, was immense. And it grew even more difficult because of the lack of equipment and because of Albania's difficult geostrategic position (it is the most mountainous country in Europe).

Popular Participation

The Albanian People's Army was founded in 1944 from the ranks of the guerrilla Albanian National Liberation Army.

From 1944 to 1961 it was modeled on and received equipment from the Yugoslav (1944-48) and Soviet (1948-61) armed forces.

There were radical changes during the period of military cooperation with China, from 1961-77. The Cultural Revolution in China in 1967 and the Soviet invasion of Czechoslovakia in 1968 had a great effect on the Albanian People's Army, which adopted a Chinese-style defense doctrine of "people's war." The basic element in this was large-scale mobilization and guerrilla warfare in case of enemy invasion to make the "cost" of occupation too high for the invader. Although precise figures are not available, it is estimated that in 1967-68 People's Army reserves increased significantly to the current total of 150,000 men.

The regular strength of the People's Army and that of the then paramilitary Sigurimi also increased at the same time.

In case of war the new defense doctrine also provided for calling up all adults capable of bearing arms, one third of the total population (approximately 1 million out of a total population of 3.064 million). In practice of course this system would have been a tragic failure.

In contrast to the much better-thought-out system of "total national defense" implemented by Yugoslavia after the Soviet invasion of Czechoslovakia, which was based on modern arms and a good operational capability, Albania's "people's war" was based on the idea of distributing small arms to the population, who would then man the tens of thousands of cement fortifications and pillboxes.

The "Boxes"

Despite the supposed guerrilla nature of the doctrine, this would have led to the reserves being cut off in the "cement boxes" (as Tito once described them) and decimated if the invader possessed a relatively modern army with mass fire power.

Although these fortifications were generally considered useless, Hoxha viewed them as the "basic element" of the defense doctrine. They were built all over the country at a frantic rate from 1968 on, naturally at great expense.

In 1986 it was learned that Hoxha's successor, Ramiz Alia, had stopped the construction of any new fortifications and ordered the existing ones gradually to be sealed. However, the doctrine of "people's war" is still held.

Albania may not have a well-thought out defense policy but for such a small country it certainly is capable of fielding a very large number of troops in case of war. That is as far as it goes, however. The current state of the Albanian People's Army ranges from bad to pitiful. It is incapable of meeting an attack by any country, much less by Yugoslavia or the Soviet Union as Hoxha believed.

Shehu was absolutely right. Albania's isolation from the both Communist countries and the rest of the world made it impossible to replace or modernize the arsenal of the People's Army. Available weapons are obsolete and with every passing day they become more and more useless, more and more dangerous. Maintenance is poor, or perhaps we should say nonexistent, and there is an almost total lack of spare parts.

The Army comprises 31,500 men, of whom 20,000 are conscripts (2-year service). The Navy has 3,300 men, while the Air Force has 7,200. Service in these two branches and in the special services is for 3 years.

The Army is made up of five infantry brigades, none of which is completely mechanized. There are a total of 20 BA-64 and BRDM-1 armored cars, only 13 of which are in relatively good condition. There are also about 80 Soviet BTR-40/-50/-152 and K-63 armored personnel carriers acquired before 1961. Many of these are almost useless due to the lack of spare parts.

That is also the basic problem of the one armored brigade and two armored battalions. There have been many reports of tanks being cannibalized to supply parts. The tanks number about 190 and are "ancient" Soviet types like the T-34, T-54, and the "newer" T-59.

The other units are in more or less the same wretched condition since their equipment was acquired either from the Soviet Union before 1961 or from China before 1977. There is no modern antitank, air, or coastal defense. The few type 63 multiple rocket launchers and 100 mm rapid-fire antiaircraft guns do not alter this situation due to the lack of technical support.

Ancient Equipment

In the Air Force things are far worse. The six interceptor squadrons are equipped with about 100 Soviet aircraft: 20 MiG-15/F-2's, 20 MiG-17's, 40 MiG-19/J-6's, and 20 Shenyang J-7's. Most of these are out of service and practically useless.

Ten Antonov-2's and 3 Ilyushins make up the transport force while there is an unknown number of MiG-15UTI's for training. The helicopter force is made up of 30 MIL Mi-4's.

There is almost no air defense inasmuch as only five Soviet SA-2 rocket launchers operate.

Finally, 40 percent of the Navy's equipment is useless. Three Soviet Whiskey Class submarines and 12 Chinese P-4 torpedo boats are out of service due to the lack of parts. Beyond that, there are 4 Soviet Kronshtadt Class large patrol craft (2 of them in "reserve"), 6 Chinese Shanghai II fast attack craft, 32 small Chinese Huchuan Class patrol boats, and a flotilla of 7-8 Soviet minelayers.

The lack of a fleet is a painful one for Albania, which Nature has blessed with outstanding natural harbors on the Adriatic.

Sigurimi

As long as Hoxha was alive, the political role of the People's Army was tied up with his desire (a fundamental characteristic of all dictators) to maintain absolute control over the Army leadership. As for the secret police, the Sigurimi, with its powerful force of 5000 men, formed a sort of Praetorian Guard. Its basic mission was to keep close watch on the leadership of the People's Army to prevent any coup against Hoxha and to uncover international conspiracies against him, such as those plotted by the Soviets and Yugoslavs.

In 1960, for instance, a Soviet effort to turn Defense Minister Beqir Balluku against Hoxha failed, thanks to the Sigurimi and the Minister's loyalty to his leader.

In 1974 the Sigurimi "did away with" Balluku—along with the leadership of the People's Army—as a "traitor" because he disagreed with Hoxha's foreign policy. Shehu replaced him but shared his predecessor's fate. Balluku had foreseen and Shehu came to realize what the consequences of Hoxha's outlook would be for the Albanian People's Army. However, the secret police's bloody activities and the Albanian leader's paranoia discouraged any action that might have altered the situation.

Since the death of Hoxha, the People's Army is indubitably stronger under Hoxha's successor Ramiz Alia; one proof of this is the decision to stop building fortifications and to seal the existing ones.

This—like the decision to participate in the inter-Balkan conference, the establishment of links between Tirana airport and a number of European capitals, the permission granted minorities to receive packages mailed by relatives in neighboring countries, and an Italian journalist's report of seeing the names of two Western rock groups written on the wall of a fortification—may be a good omen for the suffering Albanian people and for our compatriots, who have lived in the darkness for 4 decades...

12593

CZECHOSLOVAKIA

VHJ-Enterprise Transition Under Restructuring Debated

24000007 Prague *HOSPODARSKE NOVINY* in Czech
9 Oct 87 pp 8, 9

[Roundtable discussion with Eng Stanislav Bednar, economic director of Prague Metallurgical Processing VHJ; Eng Jiri Bitnar, director of Liberec Textilan; Dr Josef Jezek, economic director of Prague Aero VHJ; Docent Eng Milan Matejka, doctor of science, assistant dean of National Economic Faculty at Prague Economic College; Eng Frantisek Seget, economic director of Prague Automation and Computer Technology Plants VHJ; prepared for publication by Miroslav Kana and Pavel Karel: "At Issue: Is an Economic Production Unit Equivalent to an Enterprise?"]

[Text] Probably the largest number of articles we have published during the discussion of the law on the state enterprise have related to the organizational structure of the enterprise management sphere. During conversations with our readers we heard still more opinions on this issue. To sum them up in the interest of conciseness, we can state that general directorate members prefer to retain the current economic production unit [VHJ] structure with certain changes. Enterprise employees on the other hand would like to have more independence. Also, we are all basically in favor of restructuring, but with a caveat: it should not affect either the position or the work of individuals to too great an extent. Others justify the current structure. This is understandable because organizational structures affect a large number of employees of general directorates as well as existing enterprises, and no one is really too fond of changes of this type and magnitude. To pursue this burning issue further, we convened a roundtable discussion. The discussion went beyond the given topic of the future enterprise and, quite logically, also covered the role of the center as well as fundamental questions about overall economic management after restructuring.

Participants in this roundtable discussion of organizational structures were:

1. Eng Stanislav Bednar, economic director of Prague Metallurgical Processing VHJ;
2. Eng Jiri Bitnar, director of Liberec Textilan;
3. Dr Josef Jezek, economic director of Prague Aero VHJ;
4. Docent Eng Milan Matejka, doctor of science, assistant dean of national economic faculty of Prague Economic College;
5. Eng Frantisek Seget, economic director of Prague Automation and Computer Technology Plants VHJ.

Are Firms Inclined Merely To Rename Themselves?

[Question] In conjunction with shifting the economy to an intensive growth path it was decided to develop new management techniques and to restructure the economic

mechanism. The draft law on the state enterprise is intended to support this effort. Readers have been informing us that many organizations are tending simply to call old practices by the new names. For instance, readers are noting efforts by almost all VHJ to rename themselves state enterprises, and with great fanfare to make what is really only a cosmetic change.

[Answer] [Seget] As of 1 January next year our organization will begin to participate in the comprehensive experiment, which is closely related to restructuring. Our starting point was that we had been quite successful in meeting the targets of the 7th 5-Year Plan. We manufacture computers and computerized regulating equipment. Our operations are largely self-contained, strong ties have developed between our organizations, and R&D demands close cooperation among our operating units. This is why we want to begin the experiment as a unit.

[Question] You imply that you should be retaining your existing organizational structure. Is it your idea, then, that the VHJ structure will remain?

[Answer] [Seget] We will probably not be able to avoid splitting off from the VHJ some parts that are not directly related to our main businesses. We are one of the monopoly producers of computers and computerized regulating equipment, so we have developed within our concern relatively close working relationships. We do not think that breaking up the current organization into smaller organizational units is either appropriate, nor will it enhance efficiency.

[Answer] [Matejka] Your monopoly position does not have strictly economic reasons. It is mainly a logical consequence of the fact that we have subordinated all entities of our national economy to costly, centralized, directive management. Based on the sectoral principle we have for practical purposes created monopolies in everything.

In a manufacturing environment, however, monopolies are the worst possible way to organize things. The existence of monopolies precludes the existence of true goods manufacturing in the sense that R&D progress and increasing labor productivity are a vital necessity for the producer. We have created our monopolies administratively and insulated them from outside competition. There are three major negative aspects of this type of monopolization.

First. There is no economic protection against cost and therefore inflationary pressure. The monopoly dictates the price, and the price official is powerless against it. We are all aware how fast the prices of capital equipment rose, without a corresponding increase in technical sophistication. What has become of the thesis that with the passage of time the price of products with the same use values will gradually decline?

Second. An administrative monopoly removes all interest in R&D progress. You stated, Comrade Seget, that R&D benefits your enterprise as it is now organized. My question to you is: Why are we in the situation that we are in regarding computers if you have had the environment for R&D that you needed so far?

Finally. Monopolies do not respect the wishes of customers. When has our customer ever, in our entire history, been satisfied with the supply of goods on our markets? Never, because the monopoly simply dictates what the customer may buy. This is true both for the consumer goods, and capital equipment markets.

[Answer] [Bednar] Since early this year we have been working with our enterprises on preparations for implementing the economic restructuring at the Metallurgical Processing VHJ. Since July 1 we have been participating in the comprehensive experiment. Part of these preparations are discussions and analyses of various areas of our operations which in our view could help to make our future structure more efficient. We are not assuming that the current VHJ structure will be retained. We are basing our efforts on the organization outlined in the preamble to the draft law on the state enterprise. It is therefore impossible to maintain the current structure where one legal entity (the enterprise) is subordinate to another legal entity (the general directorate).

[Question] What you seem to be saying is that your current VHJ will be equivalent to the enterprise of the future?

[Answer] [Bednar] It appears to us that the current VHJ could be split up into at least two, and perhaps more, independent enterprises. We need to explore further the internal cooperative relationships of the future enterprises in manufacturing, technology, and R&D. Our VHJ consumes roughly 80 percent of all the rolled wire produced in the CSSR. As a result, we have developed within the VHJ close cooperative relationships in production, technology, integrational relations in the practical application of R&D, and have realized commensurate economic benefits from this.

We have gradually built for our wire processing and screw production facilities a support system that handles for most of our enterprises machinery overhauls, upgrades, repairs, maintenance and spare part manufacture. We also have facilities for the manufacturing of entirely new machines.

Regarding self-finance, most of our enterprises are capable of it. When making decisions concerning restructuring, however, we will need to evaluate self-financing, especially for smaller enterprises, in terms of accelerating the implementation of more extensive intensification projects related to resource formation. This involves focusing resources in a single place in a short period of time.

[Answer] [Jezek] Changes related to the draft law on the state enterprise are currently being evaluated both at the management, and at the enterprise level. It is our opinion that the internal technical and economic links, the vertical organization of the production process, the fact that the production of aircraft and other final products depends on deliveries of subassemblies, engines and instruments from practically all the enterprises of our VHJ, demand that very close organizational links be maintained within the aircraft industry. We consider this to be desirable and economically advantageous both for individual components and for the whole. The same is true for the size of this grouping.

[Answer] [Bitnar] It is our view that the enterprise is a sufficiently large production entity, and that additional intermediate layers, such as a VHJ, or a general directorate, are not essential. In the end, we will demonstrate this in the experiment. We have no strong cooperative ties with any other enterprises. We buy yarn as well as produce it ourselves and also sell it. Our relationships are based purely on trade with other organizations.

When we had a general directorate it managed us, in my opinion, on a strictly formal basis. Its main function was to reallocate investment resources. This forced us into a situation where presently both our capital stock and facilities at the Liberec plant have been almost fully depreciated (equipment to 19 percent of its acquisition cost, and facilities to 14 percent).

I believe that we will be able to improve this situation significantly if we are left to act independently. One of our steps has been to expand exports. We want, however, to use the benefits, and especially the foreign currency and profits from exports, to benefit our enterprise. Previously all such resources have been reallocated elsewhere. We generated the export revenues, but some other plant received the new capital equipment.

What Are the Magic Words?

[Question] Have any of you received guidelines from your ministries for analysing and proposing new structures for your organizations?

[Answer] [Bednar] In February our ministry published a structured approach, including a schedule for preparing to implement economic restructuring. We are adhering to these guidelines. Recently the ministry published an excellent report on the problem of legal subjectivity and economic independence in relation to the statute on the state enterprise.

[Answer] [Jezek] We have received no precise guidelines for our approach to this issue. We are basing our actions rather on economic relationships. In addition we are trying to learn from the experiences of other socialist countries which have a developed aircraft industry.

[Answer] [Seget] Our ministry formulated the principles of the experiment. VHJ and enterprises could make decisions on new organizational structures on the basis of that document. We have been basing our discussions on the experiences of leading world electronics producers. These firms have grown into a strong, financially independent grouping with extensive technical capabilities. The electronization of our own national economy will also require a broad technical base. Just such a concentration of resources is required in order rapidly to mobilize resources towards specific ends. There are in the world smaller organizations that are able to react swiftly, but these are operating with a significant amount of business risk. We do not want to go down this path because it is the large producers that call the tune.

[Answer] [Matejka] In my opinion it would be a disaster to make enterprises out of current VHJ. This would be the equivalent of such a huge monopolization that we could write everything off immediately. Manufacturing goods without any real competition in a market is like a fish on dry land or at the very best in a wash basin. In terms of the number of enterprises in the world, statistics tell us that in capitalist countries of comparable size there are many times as many enterprises as in our country. At the same time the enterprises are not as narrowly specialized as here. Competition is a reality, with foreign producers as well.

[Question] Take the mixups in personal computers, Comrade Seget. There are still nowhere near enough of them in operation. And the Slusovice JZD is making a large number of those that are in use. Your objective clearly is the mass production of as small a product line as possible, but you are facing multiple requirements. Would not more producers help alleviate this problem. They could be created by splitting up your VHJ.

[Answer] [Seget] If every producer could produce whatever type of personal computer it wanted to, we would have a mess on our hands. Such a producer would either have to generate enough foreign currency to import all the components needed, or would have to use domestically available components. Fragmenting the production of computer systems automatically means immense demand for a wide range of components. This in the end results in low effectiveness, because one cannot fabricate custom circuits for each individual customer. One must also be able to service the products that are sold. It is not our objective for just anyone to be able to make a computer.

[Question] Perhaps you are right. But current practice leads to a shortage of computers. Assembling personal computers, moreover, is not that difficult. The draft law on the state enterprise mentions the possibility of introducing new production techniques at the enterprise level. The economic mechanism that has been formulated assumes that enterprises will produce what our society wants. The production should be done by that enterprise that is most capable of it. But we are digressing.

[Answer] [Matejka] The question is not whether the future state enterprise should be a current enterprise, or a VHJ, or a smaller grouping of current enterprises. The organization of a specific workplace should reflect the activities that take place there. The national economy is also a huge workplace. It is precisely the character of work, the character of our nationwide economic operations, that must change.

The current character of the socialist economy is based on the doctrine that market and price relationships would gradually fade away. This was the source of other very specific and unscientific doctrines. Both research and practice have shown that this has been a gigantic miscalculation. Our management techniques are therefore not oriented to producing goods; they focus on materials and costs. This is one step behind the manufacturing of goods. We have omitted from our thinking one intermediate level that is vital for successful goods manufacturing—the market. A manufacturer of goods produces for a market, not directly for a customer. He produces in a way that maximizes the return on his assets. The actual products produced are subordinated to this. We have turned this relationship between use value and value completely on its head. The center establishes for sectors, VHJ, and then enterprises how much of what is to be produced, and forces them to produce these items with the lowest possible costs. This process does not include the criterion of production efficiency for the product lines that are produced. This is an error, because production efficiency is a critical measurement of overall economic efficiency.

In comparison with the world, we behave as manufacturers in the first stages of producing goods. Such producers give priority to producing as much as possible for themselves, exporting the rest, and importing whatever they cannot manufacture. A true manufacturer of goods finds a niche in a market, produces what will generate the greatest value added for him, then uses exchange to obtain products that are far superior to those he would have made himself. For our small economy it is vitally important to be deeply and fully integrated into the world division of labor. We cannot separate the world market from what we do domestically.

Is Buck-Passing Characteristic of Sectors?

[Question] It is true that there are smaller firms in the world, such as Husqvarna, Bruel, or Kjaer, that are known for rapid technical development and other indications of their prowess. On the other hand there are giant firms such as IBM or General Motors that have proved themselves to be highly capable.

[Answer] [Matejka] Large firms in the world today are organized internally based on competition between individual internal divisions at the production level. For instance, they compete with each other to design the same product. The economic organism is something divisible and combinable. We can no longer afford to

have the skeletal structure that we have today. We need to change our organizations to adapt to changing conditions. And it is a sacred responsibility of founders, in my view, to struggle against monopolization, to fight to assure that organizational structures are flexible, and to terminate any organizational structure that is not completely vital and competitive. Where mergers are necessary, by all means merge, but it has to make economic sense. Manufacturer diktat cannot be allowed to exist.

[Answer] [Seget] Our opinion that it is better to retain an organization as large as our current VHJ does not stem from a desire to support the existence of monopolies. We must have competition in our economy. But I cannot completely agree with the view, that you are trying to demonstrate here using major world firms as examples, that only an extremely decentralized producer can be effective. In fact the large corporations in the world are not only a relatively loose association of small producers. I agree on the one hand that an economy should have both large producers and smaller, more flexible producers with smaller work forces. But simply decentralizing and, basically, breaking up current producers is not in my view clearly the best way.

[Answer] [Matejka] Large corporations today are organized in fundamentally different ways than they were 30 years ago. They are now based on the principle of competition. The current large corporation is not like one of our VHJ, where good ideas are held back and bad ideas are supported, with both of them vegetating. Large Western firms close down operations that do not pay their way. I understand that there are limits. To make 10 automobile plants out of the single facility in Mlada Boleslav does not make sense. But on the other hand I consider it absurd that Prague Construction Renovation is almost the only enterprise engaged in the fixing up of Prague. What would the renovation of Prague look like if, instead of a single giant firm, there existed 30 smaller, competitive construction firms. Monopolization in this case has resulted in a situation in which money has almost ceased to function as an economic measure. This firm is experimenting in measuring output in physical units, which is a return to economic prehistory.

[Answer] [Bednar] Many important inventions and new products have truly been developed in small Western firms, but the mass production of these items was, probably, performed by the large firms capable of mass production. Nevertheless it seems to me that neither in discussions nor in final decisions should we engage in extremes, in the atomization of existing organizations, before we take full account of the specific conditions facing a given sector, divisions, or certain large VHJ. We should be able to ascertain how much opportunity there is to implement price and market relationships and full cost accounting under both current and proposed new organizational structures for the economy. My guess is that there will be substantially fewer of these opportunities in the power generation, transportation, and raw

materials extraction sectors than there will be, for instance in light industry, consumer goods, or in services.

Let us look at the problem of a monopoly of output. Most of the product lines of, for practical purposes, all the enterprises of our VHJ are dependent on deliveries of rolled wire from enterprises in Ferrous Metallurgy. If these firms were to decide to export their rolled wire, and nothing will prevent them from doing so, our firms would have to meet their needs through imports. I am convinced that we should not get into a situation of such dependence on imports for an important raw material, even if the import prices correspond to our own wholesale prices. Look, a monopoly is advantageous to a producer in terms of sale and outputs. But as a customer in search of inputs he is not so happy with the situation.

[Answer] [Bitnar] I agree that we must form more enterprises, but the more of these new enterprises there are, the smaller they need to be. This is especially necessary in the consumer goods industries because there monopolization prevents the production of a wider selection of products, which in turn restricts the ability to satisfy customer wants.

[Answer] [Matejka] I am somewhat familiar with your enterprise, Comrade Bitnar. It might make sense to divide it up into several smaller firms. I have visited foreign wool producers, and their statement has been "We know of no Textilan enterprise," but the statement was full of irony.

[Answer] [Bitnar] Textilan really is quite a large enterprise within the consumer goods industry, and it would be difficult to find a firm in the capitalist world that would be comparable either in scope or in products. In the past we existed as three or four smaller enterprises with wider product lines. After the merger there came the relatively tight specialization of today's plants. In a small enterprise, or in that previous smaller organization at least in the case of the consumer goods industry, the connection between an employee and performance are less anonymous and much greater. The current organization, with a general directorate, is outmoded, because it basically is responsible for nothing. I know of no case where, for instance, a fine for not building a waste water treatment facility would be levied against them. The fines always remain with the enterprise. At the same time the investment resources are allocated by the general directorate, and people who have no tie whatever to the enterprise make the decisions. There are many decisions affecting the enterprise that the enterprise can have no impact on.

Redistribution as Necessity?

[Question] So far my sense is that you would be willing to accept a splitting up of VHJ in the consumer goods industry. Unfortunately we did not invite any members of general directorates of consumer goods VHJ to this roundtable. Certainly we need competition in other areas as well.

[Answer] [Jezek] My personal opinion is that the greatest mistake that we could make would be to approach this matter schematically. In the past we have gone the way of total concentration, monopolization and we would be making the same mistake now if we were to adopt a policy of complete disintegration. I think we need to approach each VHJ on a case by case basis and make our decisions according to the dictates of the specific economic environment.

I personally am an advocate of disintegration and competition, certainly in the consumer goods industry. It would probably also be desirable to create a similar situation in subassembly sectors because we know that in the case of certain contractors competition results in increased concern for timeliness and quality. The question however is whether we should adopt a disintegration strategy in the case of large industrial agglomerations. I do not necessarily want to speak about my own sector, the aircraft industry, because it is to some extent a special case everywhere in the world, so let us look for a moment at Ceskomoravska-Kolben-Danek [CKD]. It would probably be total nonsense to split it up into individual organizations. Mainly, I guess, I think it is illusory to think that simple disintegration will result in competition. One important condition for competition is that a supply and demand situation exists in the sector in question. Excess demand automatically forces manufacturers to work better. A primary question even before this is that of increasing production efficiency and labor productivity.

[Question] Yes, it is desirable that the economy be in equilibrium, but this is not the case. Competition among enterprises and, in the case of monopolies, substituting imports of goods for competition, might be able to stop arbitrary price formation and make corrections as well in supplier-consumer relations.

[Answer] [Matejka] It will be impossible to compete at world levels until our economy has improved. Our products lag further and further behind world technical standards. In the past 15 years we have lost so much in our exchange position that we now must export 50 percent more material for the same imports as in 1970. Because the same export levels have been generating less and less imports, we have deprived ourselves of capital asset replacement because of our policy of not penalizing personal consumption. But then products produced on obsolete capital equipment lag even further behind world competitors. There would be no guarantee that in the future we would even earn enough to import raw materials and components. This illustrates just one of the negative consequences of monopolization...

[Question] ...Let's get back to the question at hand.

[Answer] [Matejka] But this is closely related to the question at hand.

[Question] A philosopher once said that everything is related to everything. There are wide implications, but only a little space in a newspaper.

[Answer] [Matejka] Establishing enterprises and fostering competition among them are vitally important, but the matter should not simply end there. Enterprises should be able to merge when necessary, to form for instance corporations for foreign trade, pool their resources and abilities for research and other mutually beneficial programs. Moreover, this would not have to place constraints on their spheres of activity on the domestic market.

[Answer] [Bitnar] Larger organizational units have greater stability which enables them to deal better with certain fluctuations. On the other hand smaller operating units within this larger entity then become anonymous. This always forces the management of the larger entity to consider redistribution. Each potential case of redistribution, however, depends on subjective decisions.

I stated earlier that a larger entity can concentrate investment resources on a single operating unit in order to improve production efficiency there. In this sense concentration is closely connected to redistribution, because it involves taking resources away from other units. When, under the experiment, we want to introduce cost accounting at the enterprise level and economic incentives down to the workshop level within that enterprise, we are on many occasions forced into redistribution. Many ancillary factors are of course involved, such as who has authority over the subordinate units. Economic interests are not always fully served. We are having great difficulty finding ways to institute fairly full cost accounting at the lower organizational levels. And this is only for an enterprise. What then of an entire VHJ?

[Answer] [Jezek] The conditions that each of us face are different. I think that under certain conditions some redistribution will be necessary. The impact is sometimes evident elsewhere than where the steps are first taken. Let us take the automobile industry. There is an enterprise, let us assume, that manufactures the chassis and motor, and another that makes the body for, say, a bus. We export this bus. The producer of the body realizes foreign currency profits and the producer of the motor and chassis realizes no such benefit. This is a case where redistribution would be desirable. A similar situation faces us in the aircraft business. One enterprise manufactures a wing, another the landing gear, and a third the rear section of the fuselage. But only one enterprise assembles the plane. If the profits from the sale of that plane remain only with the final assembler, then the preceding levels of manufacturing are deprived.

[Answer] [Bitnar] While I am not an advocate of centralization and redistribution, I do think that even future enterprises will not be able to avoid doing so on occasion, if they are to fulfill the function designated for

them by law, and if they are to meet their responsibilities to their founders. Right at the start of the experiment we began to feel much more urgency than before about generating a much larger reserve fund than in the past. On principle, this should not be a matter of redistributing resources that have been generated to cover the mistakes of poorly managed operating units. The entire process will occur under different conditions. I view the active involvement of self-administrative officials as the guarantee that these resources will be generated and used objectively.

[Question] But why resource redistribution? Under the new system you will have to sign contracts in which prices will play a major role. You will be able to negotiate various premiums and discounts.

[Answer] [Matejka] A lot of the notes in this argument are out of key, as if they came from the current management system. In a goods manufacturing environment price behaves completely differently than it currently behaves in our system. You stated, Comrade Jezek that the final producer realizes the profits and the subcontractor reaps no benefits. So you want to redistribute. But that throws the prices of the subcontractor out of line. Rather have more expensive subassemblies and let the subcontractor participate in the profits in this way.

What Is the Role of the Center?

[Question] The public has asked many times how the center will manage things when there are more enterprises?

[Answer] [Matejka] The center will have to manage something completely different and in a completely different way than now. Each entity must decide what kinds of decisions it is best positioned to make. Currently, decisions are made two or three levels higher than need be the case. The result is that senior managers at both the center and the enterprise level have no time left to engage in strategic planning.

The center cannot make the decision that some enterprise will make 20,000 pairs of men's shoes or the like. Details are a matter for production. For instance, who at the center is capable of telling the director of Textilán that he should cooperate in the production of yarn with a spinning mill in Nejdk, or not? Only the enterprise managers can determine if a given cooperative venture will be effective, if the increased production efficiency will offset the increased transportation costs. Once we are aware of this we realize that with the possible exception of target sales figures, it is simply irrational for the center to be planning specific physical or value targets for individual enterprises.

What the center must do is formulate and implement a national economic strategy based on economic optimization, with particular reference to the worldwide division of labor and R&D progress. This must be both a

sectoral and a territorial strategy. The center must make accurate decisions regarding the location of specific production facilities or other economic activities, taking into account labor force statistics, ecological considerations, and other pertinent input. The center should implement these strategic decisions mainly in the form of state orders that may be bid on by a number of enterprises. The center may then decide based on this competition, which firm offers the best price, performance guarantees, and award the contract on this basis.

Such management by competition should also permit the subsidizing of R&D and manufacturing programs. Enterprises could then take over these programs directly. This would generate significant amounts of activity in the microsphere, because enterprises that are in trouble would not have a chance of success in an economically attractive competitions. Implementing the strategic objectives of the center in this way at the micro-level promises greater quality of output than the current custom of setting specific goals because it permits the optimal siting of programs. The center must also manage the economy operationally, but in this area as well it can use more sophisticated techniques than currently. The way the center is organized, of course, must correspond to the new content and techniques of its work.

[Answer] [Bitnar] The center as now organized will not be able to break down tasks for specific enterprises, including those participating in the experiment, when there will be significantly more enterprises. Some things have changed in the plan breakdown for those enterprises participating in the experiment. To be sure we have only four binding indicators. But we also have a number of orientational indicators and, on top of this some 150 budgeted items, where someone has decided for us, for instance, how many windows the maintenance department can buy in a year. Obviously it will be impossible for the center to be involved at this level of planning detail in the future.

The preamble to the draft law on the state enterprise states that only those current VHJ will remain intact which can justify their existence in economic terms. Those VHJ that were organized randomly or which have an unjustified monopoly position will have to be split up. The participants in this roundtable presented the cases both for maintaining large VHJ, and for reducing their size, directly and based on intimate knowledge of their respective operations. The question arises: How does one justify the existence of large economic units in terms of economic efficiency? Clearly part of the justification will be the way the current member organizations of the VHJ are related in the context of the production program. Will the decision be made, however, based on verbal arguments, or will current and future performance figures be taken into account as well? These figures certainly are not up to the targets set for them in the Eighth 5-Year Plan. To correct this situation, at a minimum the organization of workplaces will have to be

changed to correspond better to the activities performed there. Our participants agreed that organizational structures must be made more efficient. The question remains of who this will affect?

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Pricing Under Economic Restructuring Analyzed
24000006c Prague HOSPODARSKE NOVINY in
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[Article by Doc Michal Sabolcik, Dr Sc., minister in charge of the Federal Price Office: "Prices—Criterion And Instrument Of Producers, Consumers And The Public"; first paragraph is HOSPODARSKE NOVINY introduction]

[Text] There are only a few authors who, when discussing the restructuring of the economic mechanism, would not also express their opinion on the pricing policy. During the process of the fundamental restructuring of the economic mechanism prices became the focus of attention. That is logical. After all, just about everything is defined by prices, and everyone is thus confronted by prices. But everyone also wants a price that would suit him best. A producer wants the kind of price that would cover all his individual costs and bring him the highest possible profit. A consumer, on the other hand, wants a price as low as possible, so that the raw material, intermediate goods, or the machinery bring in the highest possible return in use. The socialist society is interested in a level and a dynamics of prices that are socially desirable. Monetary stability and prices are, after all, connecting vessels.

A price must dialectically tie together, joint all interests. That is why Lenin called them the junction of economic relations and connections. That carries within it the complexity and difficulty of planning effective prices for use in practice, not only from the domestic point of view, but also taking into account the international aspects.

Required Criteria

The development of the economy, the analyses that are being prepared, and the current discussions point out to us that we do not always succeed in realizing well meant plans and requirements. Everybody asks what a price should be, and everyone answers his own question. That is not where the mistake lies. The mistake lies in the fact that we do not see all the connections and relationships, although we often, with the best of intentions, push our "own" opinion.

Prices cannot be divorced from the evaluation of conditions, environment, climate, system of management and the plan, and the mechanism where they originate and

function. At all events, they must consolidate and promote socialism. That requirement in no way conflicts with the criticism of the thus far applied centralist, often even harmful methods of management, including the pricing policy.

It goes for prices, too, that the final criterion is practice and the ensuing final economic results. That is where we also have to look for an answer to the question: what is the quality of our current prices and their efficacy. We need a detailed answer on the role and place of prices in the system of the planned management of the national economy.

Prices in socialism function in a delimited space within the framework of the established system of management and its mechanism, which determines the degree to which they can be utilized and function. Thus, for example, at this time prices function under the conditions of the established system of management for the Eighth 5-Year Plan, restricted within the space delimited by regulations for experimenting organizations. They cannot be effective in the climate which is being prepared in the restructuring of the economic mechanism and the individual phases of its implementation for the simple reason that they do not have the power to bring about the desired future comprehensive results of the management mechanism.

For example, the level of prices under the current conditions will not, without concurrent measures in the mechanism of the system of management, create in an enterprise opportunities about which many organizations have their own ideas, as we discerned many times during the discussions of the draft enterprise law. Enlarging the scope for socialist entrepreneurship under present conditions is subject to the currently valid mechanism of the system of management. There is, therefore, an urgent need to create conditions and space for socialist entrepreneurship.

The pluses and the minuses of the entire management mechanism will, to a certain extent, strengthen and also curb the possibilities for a gradual rationalization and a more effective utilization of prices in the replacement process.

In many cases prices act as a barrier to the expansion of economic cooperation, or, on the other hand, seldom bring about conflicting results stemming from the criteria requirements of the international division of labor for the level of the technology and cost effectiveness of our manufactured goods and productivity. Those would demand a less expensive manufacturing process and a higher level of the technology and cost effectiveness parameters.

Our experiences and lessons in the management of the pricing policy point out to us where our weaknesses are. Under the very demanding conditions of the past decade the development of prices basically moved within the

framework of the planned objectives. But the price system did not exert enough consistent pressure to reduce prices to the value of a unit of social utility and savings of all kinds. Similar criticism could be heard in discussions in the USSR and other socialist countries. The chairman of the USSR State Commission for Prices, V. Pavlov, in his article "A Radical Reform of Price Formation" (Soviet PRAVDA 25 Aug 1987) stated, for example, that in the USSR "the current price system is the result of an economy which has been using for the most part extensive growth factors, which no longer make it possible to actively induce and accelerate the rate of economic growth, and does not adequately characterize the economic processes. Prices do not correspond to the socially necessary cost of labor and the created realtions are not reliably expressed....Elimination of the cost concept of prices, which expresses the monopolistic status of producers, can be achieved by strengthening the role of the consumer."

Our prices cannot by themselves overcome the privileged status of the producers, their low adaptability to the needs and parameters corresponding to foreign requirements. The reason for that is the fact that the linkage back to the enterprise, which would make the intensification of innovations at the world level, high quality, and saleability of products the sole determining factor of their life or demise, does not function at this time. Today, it is mainly the national resources where the effects of this are centralized and from which the losses are covered by a re-distribution process, even though the consequences and losses were brought about directly by the enterprises. Such an environment enables them to shed immediate responsibility, because it legalizes today's incomplete khozraschet.

Basically, today the level and dynamics of prices as a whole are managed collectively within the framework of the total system of the economic mechanism, which contributes to the minimalization of price increases within the framework of the economy as a whole. However, the efficacy and utility of the prices used are insufficient, particularly in the microsphere, in linkage to the changes of the material flows in production and consumption. Prices have been used in an attempt to regulate these material flows directly or through the medium of the mechanism of the system of management. A concomitant aspect is accepting a number of forms to resolve the material flows without the use of the price factor.

Here, too, these problems influence the ratios between the mass of products and money, the purchasing power of the koruna. The imbalance between the purchasing power of the koruna and our possibilities to produce, given the centrally ensured dynamics of the koruna, brings stronger pressure on the fiscal-credit system and on the non-price re-distribution mechanism. The policy of "expensive money" requires coordination with the price and wage policies. A koruna has to be objectively earned in accord with national criteria requirements for

productivity and other factors, and in accord with conditions which obtain in the international division of labor, with equally stringent rules applied to prices and wages. It is further expected that each koruna will be used with even higher requirements for efficacy in operations and investments. Finally, there must be no problem in buying with the koruna what its holder demands, in the proper volume, selection, quality, parameters and time, so that his needs are fully satisfied.

Thus there is no doubt that the system of state management of prices, same as the entire system of management and its mechanism, also requires fundamental restructuring appropriate to the new scope and conditions.

New Approaches

The restructuring of the economic mechanism has the objective of achieving a realistic social utility in prices from prevailing conditions both at home and abroad. That requires abandonment of the practice of ensuring by price formation that incurred individual costs are covered, as well as profit for covering individual investment and operational needs. It means to change over to realistically more exacting determination of prices by linking them directly to the final results abroad and at home. To that end, the restructuring of the economic mechanism is creating basic conditions in management, plan, khozraschet, and in standards for creating and utilizing resources. We have to underline that it only creates the conditions. Lax practice could destroy them.

For prices to be instrumental in bringing about truly rational standards, prices have to create a demanding environment for management and at the same time foster interest in increasing efficiency, particularly by intensification innovations.

Price as a criterion stands in first place among the planned means for ensuring harmony between production and consumption. To that end, the deciding instrument of the planned management of prices with a continuous up-dating of prices will be a plan for developing and setting prices, which must become an organic part of the state economic plan. The plan for developing prices will include all price areas and aggregates which will be needed for the planned management of the development and implementation of prices.

A demanding, and to the international division of labor responding, environment for applying the khozraschet of an enterprise requires that extraordinary attention be given to each and every standard for efficiency. This must be achieved by every koruna put into production by the supplier, in accord with the measure of utility which has to be determined by means of gauging the degree of satisfaction of consumer and social needs. The challenge lies in the fact that we do not wish to demand just any result, but a result that would correspond to the state-of-the art products in technology and economy according to the international trade standards.

Thus the rate of exchange, prices of imports and exports and changes in them, the system of taxation, the conduct of self-financing, etc., also lay a foundation, by applying standards for efficient creation and utilization of resources and economic incentives of important reverse linkages of the replacement process, for the role standards play in the entire mechanism of the system of management, including prices.

These approaches somehow suggest that the objectivization of costs and profits will precede the objectivization of prices. But that is the wrong impression. On the basis of the standard of social utility, the priority should be a direct objectivization of prices and valuation of production factors. That leads to the secondary standard for approving enterprise costs as socially necessary.

The changes in the level and relationships of prices in their aggregate must make our production relatively less expensive, of markedly improved quality and technologically more advanced. Considering to what extent our production today satisfies the needs of consumers, what the efficiency of the machinery and the plants put into operation is, it is still too expensive. There is only one practical solution—a qualitative change in the innovative process, accompanied by changes in equipment and technology together with increased activity and creativity of the working people.

Rationalizing the complex of value instruments including prices also calls for a planned support of global and structural economic equilibrium. More planning in the management of prices will lead to more quality in the system of state price control. So that prices do not act as a brake to the essential high adaptability of enterprises needed to satisfy domestic and foreign requirements, the flexibility of prices will be increased at the same time. Therefore, outside of the system of centrally set prices by a price agency or an empowered organization, it will be possible, according to established regulations, to negotiate contract prices, i.e., use a system of temporary, limited, dual prices, and prices negotiated by agreement.

Comprehensive Restructuring

In accord with the Principles of the Restructuring of the Economic Mechanism, the Czechoslovak Government approved, as the first condition for the objectivization of value instruments, a comprehensive restructuring of wholesale and retail prices in industry, construction, agriculture, and other branches of production and trade, to be completed by 1 January 1989.

The goal of the restructuring is, among other things, to

1. rationalize wholesale and retail prices relative to socially necessary costs;
2. strengthen, by means of a new price level, price structure, and price relations, the economic pressure to lower production and distribution costs, promote innovation and intensification, foster further

improvement of efficiency in production and consumption and a better satisfaction of consumer needs;

3. create conditions for deliveries of uniform standards and support the substitution of direct labor by technology; and
4. reduce the re-distribution processes and make possible the introduction of self-financing in the framework of a full *khozraschet*.

The result of the restructuring have to be prices which are better able to transmit macroeconomic standards into products and their relatedness, and in return have a positive influence on the formation and rectification of the planned national objectives.

The restructuring will fully ensure the objectives of the planned reduction of costs. The new prices of 1 January 1989 will therefore be derived from the costs in the initial year 1986, adjusted by their planned development in 1987 to 1989 (inclusive) according to the approved Eighth 5-Year Plan and taking into account rectifications approved by the CSSR Government. The arrangement of the planned development of production and distribution costs by branches (products) has to be commensurate with the dynamics and expected increases and decreases of production costs and other parts of the plan. It will prevent speculative approaches by organizations. For example, branches included in the restructuring must not show in the aggregate a reduction in costs lower than is the average for an organization; in the case of those products with which production will end at the close of 1989, higher than an average reduction of costs per branch must not be shown.

The level of prices will exclude a number of cost items where inclusion in the price would not be economically justified. Excluded, for example, will be costs higher than the technically and economically justified cost standards, and temporarily higher costs in connection with the testing and introducing of a product into production, shortfalls, damage, penalties, etc.

Practice also confirms that it is necessary to create a more rational relationship between the amount of costs for public services and achieved economic results. For that reason, expenditures for cultural organizations, interest groups, physical training, sports, and recreation will be excluded from costs.

In the reconstruction we will calculate by using actualized procurement costs for fuel and raw material resources; their new prices will be more closely related to world prices. The adjustment of price relations should help to reduce the material intensiveness of our products while ensuring their optimal economic life, particularly our machinery. Price restructuring must strengthen adopted measures aimed at increasing the quality of materials, sub-deliveries, and products. All that will create more favorable conditions for introducing results of research and development into the manufacture of

final products. To this end, we are gradually changing the price ratio between high grade steel and low grade steel. The adjustments of crude oil prices, natural gas, and other chemical raw materials create space for improving the ratio of synthetic fibers and plastics to natural fibers, and will also encourage substitution of metals. We are also planning the price level of raw wood and its relation to follow up processing.

The valuation of the labor force is being made more realistic in the calculations of the new prices by reflecting in the level of costs the increase in the taxation of wages (heretofore the contribution to social security) to 50 percent, to cover social costs for the replacement process of the labor force. That will also increase the pressure to substitute direct labor by technology.

In the comprehensive restructuring, all branches will be assigned a uniform normative profit rate of 4.5 percent relative to the volume of production assets in the year 1986. In setting the rate, consideration was given to the average planned rate of net capital formation, interest, allocations to funds, and the 50 percent levy to the state budget. The recalculated bulk of profit will be incorporated in the price of individual products (groups) in relation to production costs; in the case of export commodities of average export efficiency and spare parts the rate of profit will be increased in accord with the price regulations aimed at stimulating their delivery.

In the restructuring we will by no means resolve all the problems facing the price area. Even though the new prices will already contain some significant elements of the new approaches to their formation, their base in the restructuring will still include some currently-employed approaches to the formation of internal prices. Resolving their relation to world prices cannot be done rashly. It is essential to relate them to the relevant conditions and expectations of the technology and cost effectiveness of production, investments, imports as well as of our final production.

Continuous Actualization

The complex restructuring of wholesale and retail prices represents the essential first step in the further rationalization of the price system. A number of important tasks will be accomplished by means of a continuous actualization of prices during the Ninth 5-Year Plan.

Increased efficiency of price management and changes in them will be implemented after restructuring by continuous, flexible methods stemming from the basic system measures set down by the KSC Central Committee and the Czechoslovak Government in the Principles of the Restructuring of the Economic Mechanism. Subsequent directions of future management and formulation of the price system will flow from them.

Above all, in the entire system of price management (i.e., implementing changes in them, setting prices and their limits, as well as stimulating prices) it is necessary to determine the effective relationship of prices to utility parameters, and systematically aim at closing the gap between domestic and foreign prices. This process has to be more effectively linked with the planned reduction of costs, with the proposed abolishment of grants, and with the introduction of full *khozraschet*. That requires a continuous, planned implementation of rational changes in wholesale and retail prices according to the concept of the planning process and approaches of the state plan. In accordance with the draft state enterprise law, it is correct to enable economic organizations more leeway to negotiate wholesale prices by contract particularly in specific groups of commodities and services where there is equilibrium between offer and demand, and where the consumer's status is a guarantee of an economically justified wholesale price development and the desired satisfaction of social needs. To that end, there will be binding rules applied which will make possible a wider use of limited and contract prices, at the same time consistently ensuring the central management of the price system.

In the stage following the comprehensive restructuring of wholesale and retail prices, we will have to expand the role of prices as a binding normative of the cost-effectiveness in all branches of the national economy by utilizing the functioning of the economic mechanism. That will enable prices to become an active instrument of the plan, tying together all production stages and regulating components, strengthening economical regimen and more efficiently setting the value of utilized material and human resources. It will be necessary to establish parameters for domestic prices, primarily in order to direct the structural changes in the national economy and to ensure a rational performance by organizations when the profit criteria of their management are changed.

The principal approach in future objectivization of the price system will be to use foreign prices and a speedier process of connecting the level and relations of domestic and foreign prices. To that end we expect to work out a program which will be the deciding precondition to further course of action. It will be designed basically on the branch principle of the basic key export branches which manufacture final products; the price level of the material and sub-delivery branches will be derived from them. During the course of the work on the plan there will be a concurrent confrontation of the program with the plans of the organizations and with the objectives of branch development. In designing the program it will be necessary to determine the key foreign markets and the method of cleansing the current foreign prices of distortions stemming from various conditions of payment, tariffs, and other discriminatory barriers. We will also use recalculated (group) domestic wholesale prices, in which material costs will be valued by foreign prices.

At the same time, this process will result in fewer imports of raw materials, where at present prices are centrally regulated.

Assisting Research and Development

An important task of our price policy is to assist research and development and the process of accelerating the implementation of effective innovations. The level, dynamics, and relations of prices in harmony with the advances in research and development must promote the growth of national productivity and bring the techno-economic level and quality of our products in line with world standards. For some time now we have been substituting and applying to the fullest the new methods of price formation, which reflect in the prices top-level techno-economic parameters from the viewpoint of the international division of labor. We established a mandatory sequence of using price formation, and we placed first those prices of new products which are derived from foreign price relations, from export prices, and prevailing conditions. Our experiences show that price alone cannot reverse this direction as long as the total economic mechanism does not require these exacting conditions and enterprise management is not dependent of foreign levels in techno-economic parameters of production.

What determines the resultant technological level, quality and production efficiency of a new product is above all its development, application of advanced technology, and a rational organization of production. Therefore, as the next principle we have to emphasize an active role of prices in the entire research-development-production-use cycle. The activity of the price offices is ever more intensively focused particularly on the initial stages of the entire cycle, which determine up to 70 to 80 percent the efficiency of the new product.

For that purpose we use price limits, limits of wholesale prices as well as limits of retail prices in case of important consumer goods, and limits of market prices in case of export commodities. The main objective of price limits is to bring about the most economical construction, technology and organization of production, so that production of the new product is profitable observing the price limits. Price limits increase the importance of economic criteria during the research-development phase, which, to effectively apply technological advances, must be also important as technical parameters of the design.

So that price limits can perform their role as a demanding technological criterion, they have to be derived above all from foreign prices, either from foreign price relations or from estimated attainable export prices. That way we will ensure that changes in the techno-economic parameters of new products will be valued as they are valued on foreign markets.

Foreign prices on key markets are a substantially more exacting criterion for setting domestic prices than calculated production costs. For that reason, most production organizations have not yet made an effort on their own to use them, and in those cases where they would result in the reduction of their expenditure price they resist the application of foreign prices.

If the up-dated price system is to continuously create more exacting conditions for effective advances in research and development and increased competitiveness of production, then it is essential to take the situation in the international markets sufficiently into consideration. The price system of imported raw and processed materials and commodities and prices attained in export will have to respond to them, and the system of internal prices for production delivered domestically will also have to be adjusted accordingly.

We have to look at prices from the viewpoint of the final result which the product, labor, or service brings. Such approach will influence the level and relations of prices of raw materials and sub-deliveries up to the final production. Therefore in setting prices we emphasize the primacy of the final result, its active influence on the management of organizations, introduction of advanced technology, and reduction of the high cost of our production. These principles are applied also in the price formation reform being planned in the USSR: "Prices must reflect social utility value and its effect in consumption....The basis of price formation must be anti-cost methodology." (Moscow, PRAVDA 25 Aug 1987).

An all-around objectivization of prices will be a long term, complex process, connected to the functioning of the entire economic mechanism. It depends on the rationalization of economic structures based on efficiency. It is connected with closer relations between domestic and foreign prices, and in its results with reducing socially necessary costs linking them to the growth of utility parameters of production and the growth of labor productivity. It will be connected to a broader democratization in price formation, which, however, cannot lead to a weakening of the central, methodic, and normative management of prices and the implementation of an efficient system of price control.

Only as a result of such a process, and in connection with economic equilibrium, can there be exacting, criteria setting prices with a normative influence. And that is what we are striving for, in cooperation with the entire economic policy.

12605

Public Catering Restructuring Problems Analyzed
24000006d Prague NOVINY VNITRNIHO OBCHODU
in Slovak 7 Oct 87 p 1

[Article by L.P.]

[Text] We understand that in our circumstances, too, the implementation of the state enterprise law is an inevitable precondition and an organic part of the restructuring

of the economic mechanism in Czechoslovakia. The draft state enterprise law deals with certain matters which concern us directly and which we will have to resolve in connection with its implementation and the restructuring.

It is above all the financial standing of the enterprise which unequivocally determines the conditions of covering the needs of the enterprise out of retained earnings. This condition is of more concern to us because our enterprise is currently operating with a planned loss and with approved grants for our operations. According to the resolution of the federal government, we shall have to correct this situation in 1988. As is well known, the CSSR Government decided to apply the principles of the new economic mechanism in public catering as early as January 1, 1988, with the provision that public catering organizations must eliminate the loss in 1988 and from 1989 operate without grants.

This is not an easy task; it assumes not only that a solution to many of the enterprise subdivision problems will be found, but also that it will be consistently implemented and the provision of the draft law concerning the legal status of the enterprise observed. We have in mind especially those questions pertaining to the law which protects activities of the enterprise against improper intervention. In our circumstances it will require particularly on the part of state administrative agencies to distinctly differentiate viewpoints and opinions, that is, which ones are crucial and decisive for national needs and interests, and thus also for the needs of the enterprise. That should prevent the imposition of priority interests of individuals or groups who intervene in enterprise operations often to the detriment of economic results, and do so as a rule during the course of the planning period when it is no longer possible to resolve such negative impacts at the enterprise level.

The matter of enterprise development is related to its economic standing. The principles of the restructuring of the economic mechanism explicitly talk about intensive development of all and any economic activity. At the same time, the enterprise Raj Bratislava must develop its activity by a decidedly expansive, inefficient method. The issue is the development of facilities in new housing developments which will be built over a period of many years, and which are to a great extent considered unprofitable to operate. That is because it concerns a category of facilities of a higher structural quality, with huge spaces, which makes them very cost intensive and their productivity in the first few years of operation well below the enterprise average. The enterprise will have to cooperate more actively on these matters in the sense of the new enterprise law, and already during the planning of the construction create conditions both technical and organizational which would make such facilities more economical.

One more point. Quite a few of the provisions of the law refer to further individual regulations to be issued during their implementation. I am afraid that those further

regulations might lead to a multitude of restrictive factors which could act as a break on the implementation of the enterprise law, particularly in the development of socialist entrepreneurship which all of our society as well as our enterprise sphere so badly need, and which, if consistently realized, can help to solve our at present inefficient economic results.

12605

Fear of New Rules Under Draft Agricultural Law Discussed

24000006a Prague RUDE PRAVO in Czech
29 Sep 87 p 1

[Interview with Eng Vaclav Bejlek, chairman of the Unified Agricultural Cooperative, and Antonin Kolka, chairman of the KSC Factory Committee, by Zdenek Hoffman]

[Text] It is a busy time at the unified agricultural cooperative Chyne, district Prague-West. They are harvesting the last of the grain and are hurrying to finish the fall work. Nevertheless, the chairman of the Unified Agricultural Cooperative Eng Vaclav Bejlek and the chairman of the KSC Factory Committee Antonin Kolka found time after work to sit down with us and talk about the draft law on agricultural cooperatives.

[Question] Your cooperative is known as a propagator of new technologies and methods of management. How do you evaluate the new opportunities stemming from the draft law on agricultural cooperatives?

V. Bejlek: Altogether positively. I appreciate especially the greater authority and responsibility for economic results, even though it will not be to the liking of all the functionaries and economists, not only in the unified agricultural cooperatives but also in state enterprises and supervisory agencies. After all, they will have to change the way they work.

[Question] Why do you think that not everybody will like the proposed changes?

A. Kolka: Many of the problems that arise are not being resolved where they should be resolved. The people who are responsible refer to general regulations, orders, and directives. Not finding a clear-cut answer in them, they often reject a positive solution. Also, they often turn to party agencies for an opinion, thus absolving themselves of much of the responsibility.

[Question] What do you appreciate most in the draft law, and what do you expect will bring new opportunities in management?

V. Bejlek: I appreciate the possibilities it opens up in giving bonuses and matters of monetary incentives. I personally consider them to be one of the most important tools of enterprise management, for boosting productivity and quality, savings and greater efficiency in all activities. And those are tasks which have already been placed before us with great urgency by the party and the society for the past several years. However, thus far there has not been a marked progress on this entire front.

A. Kolka: I also think that it will be very helpful that there will be a simplification of relations with the center and other directing agencies, and that we agriculturists will be given equal rights with supplier and buyer organizations.

[Question] Do you now see the possibility of reducing the often redundant administrative procedures which take up so much energy of the responsible personnel at all levels of production?

V. Bejlek: That goes without saying. After all, 22 laws, decrees, notices, directives and ordinances are to be rescinded. However, I am concerned that others might appear in their place. In the text of the law it is mentioned in several places that further details will be issued in a special directive. We would welcome it if those special directives were also included in the current public discussion.

A. Kolka: At present, almost 60 percent of the work of the technical- managerial personnel in our cooperative consists of preparing various reports, statistics, presentations and calculations—monthly, quarterly, half-yearly, yearly and 5-yearly. Moreover, at any time someone from the State Bank can come to us and ask to see reports. According to the draft law, this could be done only once a year. All of that will save us time to be spent on solving problems of production development.

[Question] However, there are also proposed changes which will affect your financial status. What do you think of the 50 percent levies from wages?

V. Bejlek: Naturally, our costs will increase, but it is a way to save labor, increase productivity, and eliminate all unnecessary work. We have approximately a year and a half to prepare for it. But even now we are not idle and are constantly developing our own system of rewards which is already bringing in the first concrete results. The rewards depend entirely on the work of the individual and the work collective of which he is a part. I consider it very advantageous that—as is stated in the draft law—the regulations in the future will be determined by every organization itself.

[Question] How do you evaluate the present and the future indicators of the plan?

V. Bejlek: In this respect I think that the only indicators to be planned should be qualitative indicators; volume indicators planned on the basis of the state plan and trade agreements are the first and fundamental requirements for fulfilling them. The wage regulations, for example, place considerable restrictions on us. When we overfulfill the plan, even of socially desirable products, including instances when we react to the demands of the market, our wage resources for such production are reduced by more than one third. And we find ourselves in the same situation when we increase the yearly plan contrary to the 5-year plan projections.

A. Kolka: Let me make this clear. This year we will manufacture 100 applicators of liquid fertilizers, products of top-of-the-line parameters, which are in short supply in our agriculture. They are in great demand. Therefore, we want to increase that production to 200 pieces next year, but in doubling production we cannot pay commensurate wages unless we negotiate an exception with the district agricultural administration. And in such a case those extra 100 pieces mean a 17 million output for us, but for our economy and society several more tens of millions korunas in the form of higher costs.

[Question] One of the main causes of the unsatisfactory results in the national economy this year are the shortcomings in supplier-consumer relations. Do you think that the new law will change something in this situation?

V. Bejlek: In most areas and sectors demand is still higher than supply. That means that demand is still dictated by the supplier. We agriculturists are in a different, basically the worst possible situation. We are told by the purchaser what and in what quality we will produce—milk, sugar beet, grain, meat—and by the supplier, what and in what quality he will supply—fertilizers, pesticides, feed mixtures, etc. We therefore also welcome the changes proposed in the state enterprise law which has to be looked at in connection with the draft law on agricultural cooperatives. We hope that “monopolies” such as the sugar, milk and meat industries, will be apportioned. Agricultural provisioning and purchases. Perhaps we shall deal with individual partners as equals. The fact that they dictate to us their requests for our production is quite in order. But we would like to choose such partners who would respect also our requirements for inputs—for example a sugar refinery which would supply us with the seeds and pesticides we want and in return will sell us beet cuttings which we can feed to our milk cows without affecting the quality of their milk. And this is not the case at present. We are the only ones now who carry the responsibility for quality and results.

[Question] What is often pointed out in respect to the draft law on agricultural cooperatives as well as the state enterprise law is that the leading role of the party is not sufficiently emphasised. What is your opinion?

A. Kolka: The leading role of the party is firmly planted in the draft law. Its task, primarily, is to support cadre policy and control implementation of socially beneficial activities. And in this respect its agencies have to be principled and just, they have to listen to views expressed by members of the cooperatives and discuss differing views directly with the working collectives. After that, it can, and must, have the deciding and last word.

12605

HUNGARY

Nyers Proposes Alternative Planning Mechanisms
25000018 Budapest HETI VILAGGAZDASAG in
Hungarian 26 Sept 87 pp 6-7

[Interview with Rezso Nyers, member of the HSWP Central Committee]

[Text] HVG: Your speech in the Parliament has received a strong reaction, some interpreted it as your return to public life after several years of absence. Ferenc Kallai even asked a rhetorical question: where was Rezso Nyers when the reform process got derailed? Really, where were you?

R.Ny.: It depends on at what time we put the halt of the reform. I put it at the summer of 1972, i.e., the resolution of the Central Committee of the HSWP in November, 1972. What I thought was only a temporary standstill, turned out to be considered a long-term direction by the majority of the party leadership, which based its economic policy on this resolution. After this, as a result of a compromise, I held my position as secretary of the Central Committee for a year. During this time I tried to save the basic elements of the reform for later times. After a year I was replaced. I did not think of separating from the communist community, but the only way to stay was to accept the opinion of the majority of the party leadership. The society was never asked in that matter and the Parliament was left out, too. After all this, I decided to retire to the world of science.

HVG: Of all the proposals you submitted to the Parliament, perhaps it was the initiative to make so-called contra-plans that received most of the attention. What exactly did you have in mind?

R.Ny.: I think, inconsistency between plans and implementation is most evident in the areas of finance and foreign trade, that is, these plans fail one by one. As far as the social sphere is concerned, the planning there really cannot be called social planning; for example, it cannot cope with the problems caused by deviation, with population problems, with all the problems that surface so sharply today. Planning is an iterative process of matching available sources and applications; at present, this happens within only one organization, the National Planning Office. I think that the existence of the State

Planning Committee (ATB), established in 1972 and given authority over the Planning Office, makes sense only if, instead of directing the Planning Office, it socializes the conceptual questions of planning, i.e., it takes the iterative process out of the organization of the Planning Office to share it with the whole society.

The essence of my proposal is that Hungarian society, and first of all, the National Assembly, become familiar with the alternative one-year and five-year plans. Council sessions on a local level and the National Assembly on the national level should actively participate in debating the plan alternatives and decide which is the best and most adequate plan. If the planning process is not based on alternatives then society or its representatives cannot influence it since they see only the end product. In other words, what they get in front of them is an artcraft in which all the screws have been put in their own place, ruling out the possibility of any essential modification, leaving room only for tiny changes. If we socialize planning, then there has to be two-round discussions here in Parliament, including even the committees. The exact schedule of the Parliament plan discussions has to be determined within the framework of the further development of the National Assembly's agenda.

HVG: It is not entirely clear who would make these alternative plans if not the planning officials?

R.Ny.: The national Planning Office would continue to make the plans, and the specialized institutions would make the contra-plans. Thus, the Ministry of Finance would work out the financial contra-plan, the Ministry of Foreign Trade would make the foreign trade contra-plan, and either an ad hoc group or a permanent institution of specialists, consisting of social politicians, sociologists and other experts, would make the social policy contra-plan.

HVG.: Theoretically, would it be possible for independent groups of specialists to work out and submit alternative proposals to Parliament?

R.Ny.: This should be made possible without prescribing it in the procedures. I think the principle would be that the specialized apparatuses would work out the contra-plans, but in turn, they could assign the elaboration of concepts to groups of experts. On the other hand, if independent groups are able to make and submit complete contra-plans to the National Assembly, these should be discussed.

HVG.: The discussion of plans and contra-plans, the selection and acceptance of the adequate plan raises the problem of giving and receiving information.

R.Ny.: This planning system can only be developed gradually. It cannot work until we can bridge the information gap between government organs and members of Parliament. The information needed to make contra-plans is available in the state apparatus; however, the

members of parliament can only make decisions if they are adequately informed. The difference of information levels between the average member of Parliament and the government must be reduced if the system is to operate successfully. This does not have to be waited for, however, since if this new planning process begins, it will be an initiative to bring the information levels closer.

HVG.: Wouldn't it give the desirable result if groups of experts worked for the members of Parliament?

R.Ny.: It is a possibility, too. I think, sooner or later, members of Parliament of the same interest could form ad hoc groups to exchange information and so support one another.

HVG.: This inevitably raises a problem: it is not enough to better inform the members of Parliament, there is an acute lack of information in the society and their information needs should be met in a better way.

R.Ny.: That belongs to another subject, but it is impossible to increase the information level of the members of Parliament with the exclusion of others. Undoubtedly, there can be information which only they could know, but an informed National Assembly and an underinformed society is the source of the same tension as a well-informed government and an underinformed National Assembly.

HVG.: Returning to the contra-plans, what are the chances for their realization? What was the first reaction of the officials concerned?

R.Ny.: I am glad to say that it was positive. Deputy Prime Minister Laszlo Marothy, the National Planning Office's president, with whom I later talked about the idea, liked it and even more, he assured me of his support.

HVG.: And what about the other proposals? You also suggested that the National Assembly take part in the domestic discussion of incurring significant foreign obligations and the preparation of decisions. Does it include major borrowing, too?

R.Ny.: It does not include specific credit transactions, although I think that the Government should give an account of its foreign loan policy to Parliament every year. Primarily, I had in mind the international investment obligations. The National Assembly would deal with these when the government negotiates about them or prepares the contracts. Whether the contract would be signed would depend on the approval of Parliament.

HVG.: You also proposed that the government publish annually the national budget balance and the amount of the country's debt. In his first speech, Prime Minister Karoly Grosz broke with an old taboo, and gave the sum of Hungary's gross foreign debt.

R.Ny.: Exactly because of this, my opinion is that the government should institutionalize the publication of these data in the future.

HVG.: The head of the government returned to your proposal according to which the role of the National Bank has to be expanded and it has to be involved in controlling the government's work. Why do you consider this so important?

R.Ny.: The National Bank's financial policy and its power to issue money practically determines the current and future situation of the forint. And the value of the forint is the basis of the economy. The National Bank cannot hide as a small bush in the jungle of the government's work, that's why I made this proposal.

HVG.: You also advocated the modernization of the budget preparation and the parliamentary debates. What do you mean by that?

R.Ny.: I suggest further structural changes in the budget. I agree with Zoltan Kiraly in that there must not be a 51 billion forint item on the credit side described as "other." I also think that a more specific and detailed statement of state subsidies is needed so that the National Assembly knows what the money is spent on. We also have to show in greater detail the factors affecting the balance, since without this, the members of Parliament will not realize that if they accept decisions leading to unbalance, they also have to accept the consequences.

HVG.: In your opinion, what priorities should be established in order for the country to recover from the present economic crisis?

R.Ny.: I agree with the government's policy: Next year, one of the most important tasks will be the expansion of the scope of activity of companies showing high performance. That is, it has to be made possible for them to use a larger part of their profit, to receive credits, primarily for their export-oriented production, and, first of all, to get timely imports without delay. The other urgent task is to strongly increase the dollar export. It is closely related to the former one, and we have to accept that, for the time being, we need the less profitable export orders, too. And there is a third urgent task: Despite the increasingly scarce resources, we have to save whatever we can from the social, health care and educational sphere in 1988, and have to start to work on an overall social security, health care and social reform.

HVG.: If the scope of activity of "the good" is expanded, that of the poorly performing has to be restricted. This has already been on the agenda several times, how can it be accomplished this time?

R.Ny.: The National Assembly should maximize the annual amount of the state subsidies, and when the government exceeds that, it should turn to Parliament.

The freezing of the subsidies at the present level would forcefully start the elimination of the sources of losses, without setting off a series of bankruptcies. This way we could set out on the right track, and the involvement of Parliament would take a heavy burden off the government, so it would more easily resist the pressure from local political and economic interest groups.

HVG.: No matter how we look at it, drastic price increases are to be expected; we'll start paying taxes and, as Karoly Grosz indicated, we have to prepare ourselves for conflicts next year. Wouldn't greater participation of the society in public affairs, the encouragement of citizens to take initiatives, and more publicity improve the public mood?

R.Ny.: The basic condition of the further implementation of the reform is accelerated democratization. However, our most recent history has shown numerous examples of the fact that the political leadership usually went "singing" into difficult situations. I can mention 1974-78, or 1985-86. But when we reveal the errors, many people's reaction is that the revelation of the errors was the error. This happened in 1953-54, and after 1968, too. When, finally, we spoke openly about inflation—which, at the end of the 60's and beginning of the 70's was 2-3 percent annually—many called it intolerably high, although what happened was simply that a hidden piece of information was brought to light. They said that the reform was equivalent to inflation... After the 1968 reform it turned out that many large companies produced losses. And what was the reaction? That the reform had put large companies into a difficult situation. So, when we yield ground to publicity and increase the circulation of information, we have to be careful about this psychological pit; we have to jump over it, knowing well—I repeat—that the basic condition for all kinds of recovery is democratization.

13212

'Growing Burdens on Entrepreneurs'

25000010 Budapest MAGYAR HIRLAP in Hungarian
16 Oct 87 p 7

[Subheads: "Both Partnerships and Private Persons Pay—Separate Tax Will Continue"]

[Text] In the context of the entrepreneur tax, income derived from capital investment on the one hand, and from work performed on the other, is not treated separately. Accordingly, personal gain serves as the basis of taxation, which includes 'salaries' paid to entrepreneurs. One takes the total income minus the expenses, then pays 25 percent of the remainder in the form of an entrepreneur tax. But here too there are exceptions ...

Effective 1 January 1988 private merchants, economic work collectives [GMK], specialized groups, all those who qualify as individual entrepreneurs or partnerships, small cooperatives and school cooperatives will pay

entrepreneur taxes. But the farmer belongs to this category too, including farming families and groups, as long as they produce a minimum annual income of 2 million forints through farming.

During the preparatory period of tax reform the idea of not taxing entrepreneurs at all emerged. Small enterprises should be taxed on their profits just like large enterprises. Why then was this idea rejected? We asked this question from Anna Szekacs, deputy department head of the Ministry of Finance.

[Answer] The fundamental difference between large and small plants is that with respect to enterprises and cooperatives a separate system of earnings regulations remains in effect. Consequently, it would make no difference if from the viewpoint of taxation large and small plants would stand on an equal footing, while the conditions which serve as the basis of calculating taxes differ.

It Stimulates Investment

[Question] With the introduction of the tax on entrepreneurs, the so-called 'partnership tax' will be discontinued. What is the difference between the two types of taxes?

[Answer] Partnership taxes will be paid by partnerships only, while entrepreneur taxes will be paid both by partnerships and by individual entrepreneurs. And while previously partnership taxes were paid also by some non-profit organizations, such as associations, these organizations will no longer have to pay the tax on entrepreneurs. The state will hold them accountable much like governmental bodies. The new nomenclature introduces also a new accounting method. The basis for calculating partnership taxes is the income earned in a given year, offset by expenses related to income production only. The basis for calculating the entrepreneur tax is the income earned, minus all expenses.

[Question] In what respect does the tax on entrepreneurs serve as a stimulant?

[Answer] It is anticipated that it will stimulate investments. This is so, because even though in its total effect the new tax represents a larger burden on entrepreneurs than the previous tax, those who reinvest their earnings to expand their business will be better off than others who spend their earnings on personal consumption. A flexible system of amortization makes it possible that—subject to the entrepreneur's profit structure—he may write off the total investment as an expense during the first year. This then means that in subsequent years the investment objects will not be subject to amortization, but in the tax year in which the investment was made it will reduce the tax burden.

There Are Exceptions

[Question] The entrepreneur tax is set at a uniform rate of 25 percent. Nevertheless, in terms of the lower limit for tax exemption, the law differentiates between various businesses. Why is that so?

[Answer] Private entrepreneurs' tax obligations start at an annual taxable income level of 100,000 forints, but in certain instances that limit is set at 200,000 forints. We have established these minimum amounts because, as mentioned before, entrepreneur taxes are paid not only by partnerships but also by individual entrepreneurs. By setting minimum limits we extended the obligation to pay taxes to small tradesmen and service providers also. Heretofore these people paid only a general income tax, and even the general income tax set such minimum limits, as provided by law. True, those minimum amounts were not expressed in terms of absolute amounts, but rather in percentages that were proportionate with the income. This group of people could not be burdened with an additional tax, yet their activities are needed. Concerning exceptions: the 200,000 forint minimum applies to those whose accounting system is based on averages, others who perform their services under contract, and from among the farmers those who pay entrepreneur taxes.

[Question] Why is there an exception with respect to those whose accounting system is based on averages, and those who perform their services under contracts?

[Answer] They constitute an exception today too, that is: under the general income tax system they receive preferential treatment regarding their average taxes. The new system retained this feature.

[Question] Consistency alone cannot explain this situation. It is precisely the changover to a new taxation system that could have prompted a review of this preferential treatment. Or is there some kind of an economic argument?

[Answer] There is not—not for this one. But there is an economic argument supportive of the 200,000 forint minimum limit for farmers under the entrepreneur tax system: assuming a 10 percent profit margin, the 200,000 forint minimum applies when earnings reach the 2 million forint level. The National Assembly adopted the personal income tax system with the proviso that earnings derived from household farming do not exceed 500,000 forints. Under these circumstances no personal income tax is to be paid. For this reason it is justified that we set the lower limits for entrepreneur taxes pursuant to the personal income tax formula established by the legislature.

[Question] Is it true then that in addition to entrepreneur taxes, entrepreneurs must also pay personal income taxes?

[Answer] Of course, like everyone else. The general sales tax, the other element of the new tax system, also applies to entrepreneurs just as it applies to large enterprises. In other words, small entrepreneurs can also receive a refund of general sales taxes paid.

Transformation

[Question] The reason why the special tax on small entrepreneurs remained part of the new tax system is by far not so obvious. In other words, if someone buys something from a GMK or from a specialized group, then a special tax must be paid by the buyer.

[Answer] At the time the special tax was introduced in 1986, the primary purpose was not the establishment of a new revenue source. Even though the special tax is not consistent with the present system, and will be alien to the system that will be introduced in 1988, at this time the state is not in a position to waive the related revenues.

[Question] How much revenue does this tax produce?

[Answer] Eight billion forints annually.

[Question] And do you have an estimate of how many small entrepreneurs will be able to "survive" before the government figures out whether this tax can be discontinued?

[Answer] With respect to those whose services or products are needed, their customers will continue to pay this "surcharge." But it can be expected that in a manner similar to past relationships, an increasing number of GMK's and specialized groups will become small cooperatives, or will base their accounting on averages. This organizational change is a natural phenomenon, because everyone tries to find a form of operation which is not being discriminated against by economic management.

[Question] Accordingly, the entrepreneur tax is not a special tax: It affects more than 400,000 people. One wonders—which interest groups influenced the Ministry of Finance at the time it wrote the plans for tax reform?

[Answer] Our partners were the National Organization of Artisans [KIOSE], the National Free Organization of Retailers [KISOSE], the National Federation of Artisan Cooperatives [OKISZ], the National Federation of Cooperatives [SEOVOSZ], the National Council of Producer Cooperatives [TOT], and, of course, the Chamber's small enterprise group.

[Box, p 7]

Exempt from the entrepreneur tax are:

—the first 100,000 forints of profits earned by taxpayers; except that this exemption does not apply to small cooperatives, lawyers, legal counsels' and legal educators' cooperatives;

—the first 200,000 forints of profits of a private person who, pursuant to law, operates part of a business organization under contract or under an accounting system based on averages, and a school cooperative, a school cooperative group, and a small farming production operation;

—that part of the profits earned by lawyers, legal counsels, and legal educators' cooperatives which was derived from activities covered by legal provisions pertaining to attorneys' and counsels, fees, and income earned through the sale of creative art produced by creative artistic cooperatives; and

—that part of any taxable profit that was contributed for purposes of a foundation or for a public interest organization.

The following taxpayers are entitled to tax reductions:

—consumer and other service providers, individuals who pursue technological, research and development activities, small merchants doing business in small settlements, those who employ skilled worker trainees and the handicapped, and those who implement the objectives of employment policies.

12995

Mass Corruption Trial of 50 State, Private-Sector Defendants

25000024 Budapest *MAGYAR NEMZET* in Hungarian
6 Oct 87 p 8

[Article: "The Borsod 'Catering Case' at the Supreme Court; One-Quarter of the Extra Money Went to the Boss"]

[Text] Even at the lowest judicial level proceedings of the Borsod County Court, one of the most difficult tasks was where to seat the more than fifty accused and how to find room for as many lawyers. There was hardly room for an audience. The trial which started last week at the Supreme Court began in the large council room on the ground floor, where hearings are held only in exceptional cases.

It is a good 3 years since an investigation began against a number of leaders of the Borsod Catering Industry Enterprise, then the case slowly spread, and finally light was cast on a fantastically tangled series of corruption crimes in the county.

The Borsod Catering Industry Enterprise operated a large number of dining rooms, kitchens, hotels, bars, pastry shops and other catering units in the county. The director of the enterprise was Dr Dezso Liktör; Karoly Soos was his deputy.

Doing the necessary maintenance, renovation and repair work and eliminating health problems at the catering units was in the sphere of the technical department, operating under the direct guidance of the director and his deputy. Janos Szilagyi led the technical department. There was a technical inspection group within the technical department and Balint Tamas was a member of it.

Small Tradesmen Enjoy Advantage

In doing the renovation and maintenance work the catering industry enterprise was in a difficult situation; it had its own maintenance division but did not have sufficient capacity to do the frequent larger volume of maintenance jobs. At the same time, the state enterprises and cooperatives worked at higher prices than the small tradesmen; they took longer, and because of the health and hygiene factors the KOJAL [Public Health and Epidemiology Station] and the State Trade Inspectorate put a very short, 30 day time limit on performing the necessary modernizations and renovations.

So it happened that beginning in 1979 the catering industry enterprise regularly and exclusively assigned maintenance jobs to various small tradesmen.

Most of the renovation and repair jobs were assigned to small tradesmen by Balint Tamas and Janos Szilagyi, but sometimes the director Dr Dezso Liktör or Karoly Soos decided which small tradesman should be entrusted with performing a given job, or which tradesman could not be employed in the future....

In the course of renovation and maintenance work at the catering industry enterprise the well-known prescriptions were regularly violated. An incorrect practice developed whereby the small tradesman they wanted to do the work was called into the technical department and told what unit to go to, where the shop leader would show him what to do. Then the tradesman would start to work without a preliminary estimate or budget, and after finishing he would prepare a bill and submit it to the technical department where it usually went to Balint Tamas. He then performed the technical inspection tasks, and, with the knowledge of Janos Szilagyi, would prepare a budget and order after the fact, back date them, and even issue and sign the work sheets after the fact.

Built-In Bribe

At the end of 1979 Janos Szilagyi mentioned to Balint Tamas that there was a practice among the small tradesmen doing work for the enterprise to hand over 10 percent of the net sum of their bill to the technical

inspector accepting the bill. He also told him that he could keep a quarter of the 10 percent for himself, three quarters had to be given to him from which he would hand on a one quarter part to each of the "bosses."

Balint Tamas accepted the offer.

From the beginning of 1980 some of the small tradesmen were openly told that they would get work only if they handed over 10 percent of the net sum of the bill. The news quickly spread among the small tradesmen that Balint Tamas and Janos Szilagyi were asking or accepting money from the sums paid to them. The consequence was that Balint Tamas did not perform or only seemingly performed the technical transfer-acceptance in the course of work done by the small tradesmen who offered bribes, he did not check the bills item by item, and sometimes he only corrected them at the office—without an on-the-spot inspection. It happened that Janos Szilagyi personally took money for himself from a tradesman. The bills brought in by Janos Szilagyi were simply signed by a technical inspector without being persuaded of the validity of the bills.

As a result of the filling in and acceptance of incorrect sums, the indulgent behavior of Balint Tamas and Janos Szilagyi, and the irregularities reigning within the technical department, many of the small tradesmen prepared their bills—with the silent complicity and approval of Balint Tamas and Janos Szilagyi—in such a way as to suffer no loss by the sums. In the interest of this they put in their bills sums amounting to the 10 percent or sums corresponding to the money handed over. Indeed, later they submitted bills ever more frequently for fictitious work not done or charged prices higher than authorized, and in other cases unjustly increased the amount of work actually done or described the quality untruthfully.

Wine Cellar and Boutique—at Public Expense

On occasion Balint Tamas and Janos Szilagyi would have work done illegally for their own profit, and charge it to the enterprise. In other cases they would significantly raise the bill made out by the small tradesman and thus get an improper profit. Thus an ever closer web was woven among the leaders of the enterprise, the technical inspectors and some of the frequently employed small tradesmen, and this led to other, additional abuses. Thus the accused small tradesmen would do jobs without pay or at a discount price on the weekend houses or wine cellar and boutique of the accused Dr Dezso Liktor, Karoly Soos, Janos Szilagyi and Balint Tamas or their relatives. In such cases the small tradesmen recompensed themselves by overcharging, naturally at the expense of the enterprise, which the technical inspectors and Janos Szilagyi "accidentally" failed to notice, thus "requiting" their kindness. Dr Dezso Liktor, a sixth order defendant, had some of the work in connection with building his Tapolca weekend house, making a road to it and acquiring the necessary materials done by his

subordinates during work time, and during the construction the accused Balint Tamas, Janos Szilagyi and Istvan Bodnar and workers from the maintenance division of the enterprise regularly worked at the site. For the construction they used material owned by the enterprise and they also obtained materials from an outside cooperative at a favorable price in an illegal way.

For the material deliveries during the construction he illegally used enterprise transportation in the name of his subordinates, and used a truck and a passenger car at his disposal. Between 1980 and 1983 the 58 defendants in the case made significant profit with various abuses and methods, looting social property. In the course of this they caused several million forints damage to the Miskolc Catering Industry Enterprise.

The county court sentenced Balint Tamas, first order defendant, to 4 years and 6 months loss of liberty—to be spent in prison—and 5 years of banishment from public affairs for the crime of fraud causing especially great harm committed in a continuing, businesslike way in a criminal conspiracy as an accomplice, for the milder crime of falsifying simple contracts continuously committed, for the crime of embezzlement causing considerable harm committed as instigator, for the milder crime of embezzlement causing less harm committed as an instigator and for the crime of fraud causing considerable harm committed as an accomplice, and it sentenced Janos Szilagyi, second order defendant, to 4 years and 10 months loss of liberty—to be spent in prison—and 5 years of banishment from public affairs. The other defendants were sentenced to longer or shorter loss of liberty or to suspended sentences. As a result of appeals the council of Dr Sandor Pek at the Supreme Court will consider the case; the announcement of a final verdict is expected by the end of the week.

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POLAND

Electronics Industry Merger Provokes Controversy

Industry Reorganization Needs Argued

26000002 Warsaw *GOSPODARKA PLANOWA* in
Polish No 5, May 87 pp 191-95

[Article by Cezary A. Ambroziak: "On the More Rapid Development of Electronics"]

[Excerpts] In the Polish electronics industry in recent years, there has been a deconcentration both of resources and control over them. This trend is the opposite of the world and CEMA trend.

At the end of the 1970's we were second in the CEMA behind the Soviet Union in the production of chips or miniaturized integrated circuits. Specialists from the GDR or the CSSR came to consult us. Now we are falling

further and further behind. The materials and subcomponent footing of microelectronics in Poland has been deteriorating and falling behind the other CEMA countries as investments have been neglected during the last 5 years. Production is about the same as in 1979, and the shortage of the most modern subcomponents is considerable. The most elaborate LSI circuits developed so far, i.e., the family of 8-bit microprocessors and 4K RAM and 16K ROM memories, are produced in small quantities. Producers of electronic equipment have difficulties in meeting their plans due to the shortage of subcomponents. Electronics has very clearly felt the effects of the crisis. It depends greatly on cooperation with many branches of industry and even more on imports. As a result, the poor performance of many other branches are reflected in the mirror of electronics, which cannot be certain of shipments of many chemical materials. The precision equipment industry cannot meet the needs of electronics for many elements. Further it must import slight quantities of very pure materials produced by a few specialized firms worldwide. This requires convertible currency. Even the construction industry has not met its obligations with respect to electronics. Investments for electronics take years. Even the organizational structures in electronics do not make the situation any easier.

A few year before the enactment of the law on state enterprises (1981) and the liquidation of the enterprise unions, Unitra, which included the producers of subcomponents and producers of electronic equipment, was divided into two independent unions: Unitra Electron and Unitra Dom. The producers of equipment and subcomponents were separated; vertical disintegration occurred. I should note that the capacity of the entire Unitra union was no larger than many small Western firms. After 1981 as a result of the law on enterprises and on the wave of enthusiasm for the three "self-principles" many centers and multi-plant enterprises disintegrated, and a further disintegration of the electronics industry occurred. Independent, small enterprises themselves are unable to invest and develop. Even the largest of the remaining ones like Cemi and Cemat cannot. The industry's organizational development has gone in a different direction than in the advanced industrialized countries.

In the CEMA countries concentration of the resources and decisions about electronics have been achieved by creating ministries of electronics or electronics and electro-technology. A systematic vertical integration is being carried out in the GDR. First, the well-known clock plant Ruhla and then the world-renowned optical plant Carl Zeiss Jena, which is to produce technical equipment for microelectronics, were merged into a large electronics enterprise. Poland and Hungary are the only European CEMA countries in which electronics does not have its own ministry and direct participation in the division of the state budget and is not organized as an enterprise. When the united enterprises were replaced by the associations, managing them became unfeigned log-rolling.

For example, the Association of Electronics Industry Enterprises is managed by the Association Council which consists of 50 individuals. While the electronics enterprises were being handed over to the selfmanagements in Poland, France—during this same period—nationalized the largest electronics firm Thomson for strategic reasons of state. It was the only firm other than the banks and the railways nationalized. The president of this firm, previously elected, is now named by the French Government. The nationalization was followed by large state subsidies. This produced good results for the stock of this company rose on world markets. The electronics industry is strategically significant for every technically developed state. It demands an extremely stable and systematic policy of investment and development and effective, active management. In Poland broader state intervention in the development of this industry is essential. Thus, in 1974 the first program for the electronization of the national economy was drawn up. However, as a result of investment and import difficulties in the following years, its basic tasks were not achieved.

In 1983 a second program for the electronization of the national economy was developed which received governmental approval. At present it is being implemented. Both programs for the electronization of the national economy included both the development of the material and subcomponent footing of microelectronics. The implementation of both has not produced the desired results. One of the chief reasons for this is that there was no strong state body that controlled all of the resources for the development of electronics and had the right to judge and coordinate the adopted programs. The implementation of the updated program is particularly doubtful, for it was prepared centrally without agreement with the enterprises whose selfgovernments in recent years have made the basic economic decisions.

The above does not mean that Poland cannot develop its electronics industry on a broader scale. Let us compare our achievement with those of the world leaders. We must realize that we will not be able to make investments like those of the industry giants like Japan, the United States, or the USSR in the near future. Small and medium-sized countries cannot devote large sums to technical advancement for objective reasons. But I am convinced that if we increase the state investments we will be able to develop the electronics industry more effectively in Poland. There is particularly an opportunity to develop the production of elements and integrated circuits on a large scale. Even if their export was difficult or unprofitable, it could and surely would have tremendous impact on the production of final electronics products. These products fully justify the profitability of this undertaking and will reduce imports from abroad for convertible currency. Poland can develop a variety of services associated with the development of electronics, and enter a path that countries more developed than Poland are pursuing. Poland can also enter into cooperation with firms from other countries, especially with

those in socialist countries, but not just these. We can also take advantage of the division of labor with the CEMA countries on a broader scale.

It is true that cooperation within the CEMA in the development of materials and microelectronic subcomponents has so far produced unsatisfactory results, but it can be made more effective. This was the subject of a critical evaluation in recent years by the CEMA Executive Committee. This cooperation is conducted by too many bodies within the CEMA other than the Council (for example, the InterGovernmental Commission for Electronic Computer Equipment), and it is very institutionalized. Direct cooperation among producers through agreements and contracts cover a small percentage of the agreed plans.

There is an increasing shortage of microelectronic subcomponents and an increasingly frequent official withdrawal by individual countries from the supply obligations they have accepted as part of specialization. Resolution of this problem would provide a foundation for accelerating the development of the electronics industry in our countries. The National Socio-Economic Plan for 1986-90 calls for an acceleration in the development of electronics; however, it is not an acceleration that meets the needs. Nevertheless, a quantitative development of the footing of elements was included in the government commissions. In addition to the Warsaw center two other production plants for electronic subcomponents are to be created in Torun and Wroclaw. The production of integrated circuits will increase from 43.3 million units in 1986 to 120 million in 1990. Given effective implementation of the plans, it is possible to achieve by 1990 a production of 30 million circuits of large and very large degrees of integration (LSI and VLSI), and among them beginning production of 16-bit processors and 64K DRAM memories.

But not all the needs of the other branches of industry and the economy will be met. Mining machinery or new agricultural machinery cannot do without control, safety, and monitoring equipment. Meeting this need under the current conditions will not be easy. What conclusions follow from this analysis? It seems that it is possible to develop electronics in Poland more rapidly. However, this requires:

1. Re-statizing electronics and combining it into a large subcomponentequipment concern that will most closely approximate the principles of self-financed development, minimizing the necessary government subsidies.
2. Updating the tasks of the branches that supply electronics with semifinished goods and materials and ensuring their timely completion as part of government commissions.

3. Full use of the opportunity to implement joint ventures and division of labor with other socialist countries as provided in the program for cooperation in scientific and technical advancement to the year 2000.

4. The development of a new version of the program for 1991-2000 (including the enterprises) and concentrating the appropriate resources on the development of electronics. In closing I would like to express the view that if we implement these recommendations and undertake and implement a new cycle of investment, development, and production, we can again become a leader in Europe in the area of semiconductor subcomponents and reduce the current distance between us and the advanced industrialized countries.

Objections to Merger Plans Voiced

26000002 Warsaw ZYCIE GOSPODARCZE in Polish
No 30, 26 July 87 pp 1, 4

[Article by Marzena Kowalska: "Organized Mimicry"]

[Excerpts]

But Perhaps a Partnership

What do the authors of the organizational and legal plan for Elpol, as the partnership has been christened, propose? Its member-founders would be the organizational units of the electronics industry covered by the above mentioned resolution of the Council of Ministers No 77 of 1983: the research and production centers, the technical machinery and equipment plants, the subcomponents plants, electronic materials plants, design institutes, in short the three current electronics associations and the enterprises from four ministries, in all about 100 enterprises.

The participation of other units is not excluded, although a decision on this matter was left to the Conference of Partners. It has been proposed to set the initial capitalization of the partnership at 500 million zloty (500 partners at 1 million zloty), and the state can purchase 10 percent of the shares. Each of the partners would have the right to own more than one share, but just how many would be decided by the statute (many support a conception of making the gross fixed capital the determining factor, favoring the large enterprises). The purpose of Elpol, as briefly stated in the plan, would be "the development of the electronics industry, especially the subcomponent underpinning of electronics as a foundation for accelerating the electronization of the economy."

Among the operations the major ones mentioned are planning, financing, supervising the partners' joint investments and development projects, and those of other units producing for electronics and electronization. Production, sales, and service operations in the area of materials, subcomponents, and finished products

of the electronics industry were the second items mentioned. The partnership would also manage the import of materials and subcomponents, direct and stimulate joint research and development projects, invest in enterprises in other branches that produce for the electronics industry, coordinate the development of the Polish electronics industry, and represent the partners before the state administration. Elpol would also promote and market, import raw materials, subcomponents, and machinery, and also organize study of development trends in branches, patent research, etc. The authorities of Elpol would be the Conference of Partners, the Executive Board, and the Supervisory Council. The Conference of Partners would adopt long-term plans for the partnership's operations, decide on the division of profit or losses and the assignment of statutory funds and reserves. It would also have the authority to name for a period of 5 years an executive board for the partnership of five to seven individuals.

This body in turn would name the chief director, adopt annual operational plans for the partnership, decide on joint ventures among partners and with other economic units. It would also control the assignment of convertible currency and approval of the chief director's major decisions. The Supervisory Council is only said to supervise the operations of Elpol.

Much more is said about the financing of the partnership's operations: "The state resigns from requiring a portion of the income tax of the founding partners of the partnership in 1988-97. The state budget will collect an income tax of only 5 percent (written out: five percent, instead of the generally obligatory 65 percent—comment by M.K.) of the profit. The enterprises would transfer a portion of this tax relief to the partnership for 10 years; producers of subcomponents, 40 percent, and the so-called equipment producers, 70 percent. Funds transferred to the partnership would not bear interest, and after 10 years an appropriate (???—comment M.K.) increase in the initial capitalization and the inclusion of new partners in the partnership would occur. The income from exports for 10 years is also to be shared between the members and the partnership. Retained convertible-currency earnings would remain with the enterprises as current law requires; "the remainder would fund the partnership's retained convertible-currency earnings account."

Against the background of this summary of the plan (as of July 1987) the following question arises: Where does the partnership character of this proposed creation lie? This question is all the more important given that Elpol is being formed on a wave of theses and can be regarded as a model for the second stage of the reform. Holding a copy of the prewar, but binding (thank God!) commercial code in my hands and adding a little common sense, one must answer bluntly: other than its name plate, Elpol has nothing in common with a partnership. Characteristically, these forms of concentrating capital either produce something or provide a service. The Elpol partnership, however, plans no production; Elpol is not a

producing enterprise but an office in which material and financial resources will be redistributed. Simply a name was used from the family of the second stage, but a content from before the first was put into it. An systematic mimicry was organized. We are dealing with a form that resembles an enterprise union, as we have in all previous versions of this plan. This is a result that is amazing not just within the context of the declarations of the purposes and nature of the second stage of the reform. Chiefly because we have already been through the enterprise union lesson in great detail without achieving the expected results. Worse, that lesson brought negative results. Moreover, many of the problems with which the electronics industry is contending today came into existence during the era of enterprise unions. It was then that the structure of the industry was warped by neglecting the production of subcomponents. Who believes and why do they believe that the repetition of history will be limited to the organization and not the directions and methods of operation?

Without Responsibility

Elpol clearly contradicts the spirit of the commercial code which regulates the status of limited liability partnerships. The essence of a stock partnership, the kind in question, is the collection of the partners' own resources to conduct economic activities, or frankly, to earn a profit. Meanwhile, in actuality the income of the partnership (in other words the distribution office) would come from the exemptions arbitrarily granted by the state in colossal—please remember—sums. When one reads such a proposal presented as if no one were obliged to honor the canons of the state's financial policy, one can completely lose one's mind. For, on 15 July 1987 at the Sejm, in his analysis of the causes of the unbalanced budget, the chairman of the Supreme Chamber of Inspections Gen Tadeusz Hupalowski stated: "Budget income was seriously reduced due to use of exemptions. Exemptions from just income taxes were nearly 282 billion zloty and were 40 percent higher than in 1985. This trend of increasing exemptions, which is highly inimical to budget income, has occurred in spite of the provisions of the budget law of 1986 that required a 25-percent reduction of the exemptions to which enterprises are entitled." The authors of the plan can say that 1986 is behind us. As far as the calendar is concerned, yes. But has the state's financial situation improved enough since then to calmly dream up plans to rob the unbalanced state budget, which in any case does not exist only to provide services for electronics? What would happen if all the other industries followed electronics' example and created similar "unlimited irresponsibility partnerships"? It is terrifying to think of such a national economy.

Let us return then to the pilot project of the Elpol partnership. The combined resources of the enterprises collected as the initial capitalization (500 million zloty) would be unusually humble, after taking into account that, as the most recent List of 500 shows, for example,

in 1986 Polcolor (one of the nearly 100 potential partners) earned a 5.8 billion zloty profit; it paid income tax of 3.2 billion zloty and earned 720 million zloty in tax exemptions alone. Without exaggeration one can say that the initial capitalization of Elpol would be symbolic. To be sure many partnerships are formed with small contributions by the partners, and frequently in very short periods of time, thanks to their profitable productive operations, they achieve turnover and profits many times greater. It would be in vain to expect this from Elpol, which would take upon itself, as its plan shows, only a redistributive function. It would manage large sums of money, but like the man who does not plow or plant. . . . In reality a partnership would be formed that would supervise, coordinate, and distribute exemptions. And what exemptions? I used a question mark because no one has troubled to present even a cursory financial analysis. Reportedly the economic analysis of the initiative is to be attached to the proposed statute for the partnership, which is an amazing reversal of logical thought and procedure. Judging by the position of the Ministry of Finance, which gave a curt, negative evaluation of the partnership, the game involves large sums of money. Since we are talking about financial analyses.

One can suspect that division of the exemptions between the partnership and the enterprises proposed in the plan were picked out of thin air, and this should be a clear warning to the enterprises that are greedy for privileges. The scale of the burden for the state (the only thing it can be called), which is being proposed without shame, forces us to ask about the social effectiveness of the undertaking. Further, the legal aspect of this "transaction" is important. First, the de facto contribution by the state to the partnership is greater than the anticipated value of the exemptions by 10 percent (it suffices to compare the value of the current exemptions from income taxes for Polcolor alone with the initial capitalization of the partnership) and it would surely exceed the value of the share of the other partners which could mean that the independence of the partnership and the constituent units would be illusory. Second, it is unclear, difficult to explain how, from the legal point of view, the transfer of the administration of exemptions to the partnership can be done, unless one calls a spade a spade—a centralized fund, but how can this be reconciled with the commercial code?

As a rule joint ventures that invest in a particular unit depend on taking a loan and paying for it with finished products. But Elpol, in all probability, would limit itself to "organizing the undertaking." We have become accustomed to examining newly formed organizational structures in terms of the threat of monopoly. Here too the warning light goes on. The proposed type of partnership that rakes off the majority (and perhaps all) of the resources assigned to the development of electronics would contribute to the maintenance of monopoly. It is hard to imagine the Conference of Partners, which is to decide on the sale of shares to new units thus allowing them access to profits, would be favorably inclined

toward competitors. A few more such partnerships in the economy and dreams of healthy entrepreneurship and a buyers market can be placed among the fairy tales of the second stage, as the joke circulating in Warsaw says. The creators of the commercial code would be greatly surprised to see the formation of a partnership in which greater emphasis was placed on its function—speaking enigmatically—to stimulate and supervise than on its economic goal. It is, to be sure, mentioned ("the partnership conducts production, sales, and service activities"), but it is drowned out in the flood of other tasks that the partnership is to implement which can be covered only with the term—administration. Certainly, by "coordinating, supervising, and representing" the interests of the partners that goal can be achieved, the only question is at what social cost and on whose responsibility.

If further the partners reach out to the budget and are relying on its exceptional generosity, then the entire undertaking called a "partnership" begins to arouse the suspicion that it is a deception. The suspicions are all the greater because the idea was born almost on the outside (thus its ideological similarity to the "smoke stack industries") beyond the most interested parties. Reportedly some of the enterprises, especially the self-managements, have even learned about the undertaking by word of mouth, and the central associations and directors have taken the initiative, for they chiefly constitute the group polishing the particulars of the undertaking. It is a signal that the selection of the working group that was to develop the proposed versions of the appropriate documents was accompanied by an atmosphere of secrecy. One of the associations, for example, sent its representative, without a resolution by the council. Surely again time was the deciding factor. It is interesting that unusual speed accompanies this type of initiative. This was the case with the mining companies or Megat, judging by the calendar of events, that is how it was to be here. Consultation in the enterprises is to end in August. Not only was the least favorable period (vacations) chosen, when it is hard to achieve a quorum and hard to get an expert evaluation, but the least amount of time was planned for that consultation. Haste does not contribute to optimal choices. And Elpol is certainly not one, at least in the present form which is far from the intentions of the commercial code.

A reading of the portion of the proposal on the partnership's organizational structure confirms these doubts. Without going into detail, the most important prerogatives are shifted from the Supervisory Council to the executive board and in practice to the director, who nota bene could be named from outside the executive board. Such a management model, as experience shows, does not favor arousing entrepreneurship, it strikes at the independence of the enterprises and their self-managements. The latter aspect, particularly in the case of a partnership under the commercial code including limited liability partnerships, is particularly important. The commercial code does not foresee the existence of a

selfmanagement body, but, as the lawyers observe, it is a question of good will to include self-management representation in the partnerships authorities. We have written about this in our supplement SAMORZAD I ZYCIE (See ZYCIE GOSPODARCZE No 13, 1985). The proposal, however, passes over this important social and political aspect in silence.

The conception of the Elpol partnership is subject to many important objections. It is a shame then that this form of conducting economic activities and capital movement from the legislative storehouse, which has been undervalued for the last few decades, is used in such a regrettable manner. It is, the lawyers say, a very useful way of organizing joint ventures, for example, of supporting selected links in a technological process without affecting the integrity of the partners. That at least is the idea of the commercial code. It is not the maintenance or loss of the status of a legal person but the question of who is to pay for the formation of the new structure that will determine the effectiveness of the attempted concentration (which the partnership in fact is). The answer to this question reveals the real intentions of the initiative: if the process occurs at the risk and costs of the partners, one can speak of an authentic economic motivation. In the opposite case, an administrative motivation. The name plate will not hide this fact; the mimicry will not deceive; and the grand slogans will not justify it.

Founders Answer Doubts, Questions

26000002 Warsaw ZYCIE GOSPODARCZE in Polish
No 35, 30 Aug 87 p 2

[Article by M.K.: "Doubts and Explanations"]

[Text] The formation of a limited liability partnership in the electronics industry called Elpol appears to be an accomplished fact in spite of the controversies surrounding it (see our comments in ZYCIE GOSPODARCZE No 30). As the representatives of the 18-member organizing committee announced here with journalists at the Ministry of Metallurgy and the Machine Building Industry on 20 August 1987 the proposed partnership contract and its statute have already been sent out to the potential partners, the 102 enterprises covered by resolution No 77 of 1983 of the Council of Ministers. This is, however, not all the documentation. There will be three more documents on economic and financial provisions, although according to the working timetable of the organizing committee, the partnership should be formed in less than a month. Nevertheless, as was announced at this meeting, already around 40 enterprises have declared their interest without waiting for the final vision of the partnership to become clear. Everything indicates that it will vary greatly from the July proposal presented to the working group reviewing economic structures for the Party-Government Commission on the Reassessment and Modernization of the Organizational Structures of the Economy

and the State. Remember: the founding partners of the Elpol limited liability partnership were to be the organizational units of the electronics industry covered by resolution No 77 of the Council of Ministers: the production and research centers, the production plants for machinery and technical equipment, sub-component plants, electronic materials plants, and the design institutes belonging to the three associations Unitra, Telkom, and Mera. A 10-percent state participation is also expected.

As was announced at the conference, the initial capitalization has been raised from the earlier proposal (from 500 million zloty to 1 billion zloty), which would be divided into 1,000 equal shares. Each of the enterprises will have the right to purchase four shares; the state, 100. Some of the shares are reserves for enterprises not in the above mentioned associations, the remaining shares will go to the 102 firms in the Telkom, Unitra, and Mera associations according to their value sold, financial performance, and fixed assets. These are, however, technical details while the conception of Elpol itself, as the conference showed, still arouses numerous objections. The representatives of the organizing committee attempted to maintain that the doubts expressed in publications or formulated by some lawyers and economists, especially those in academic circles, are without foundation. Reporting the entire, tense 2-hour lively exchange of views would significantly exceed the bounds of a short report. Thus, I will limit myself only to indicating the most important themes of the meeting, although each of them deserves separate discussion.

As Jerzy Bilip, the chairman of the organizing committee and director of Polcolor, stated at the beginning of the meeting, the new way of organizing Polish electronics attempts to match eastern and western partners without infringing on the independence of the enterprises. He recalled that the first proposals to reorganize the Polish electronics industry as a concern were made at the beginning of 1984, but its implementation required changes in a few fundamental laws of the reform, and when he said, "in the meantime the idea of a partnership cropped up," it was decided to use this form, which we should add, has been legally sanctioned in Poland since 1934. No attempt was made to hide the fact that the formation of a limited liability partnership was to crown several years of attempts to reorganize the Polish electronics industry which, as was emphasized, is an initiative from below. The purpose of the partnership is to implement the electronization program, and as Dariusz Lochocki, director of Unitra said, it will bear the obligation of ensuring supplies of electronic products. The partnership's founders also expect it to develop a long-term program of electronization to the year 2000.

That is the future. For now we are implementing the program from 1983. Admittedly, as Henryk Pilka,

director of Mera said, "the electronics industry is making an accounting of its implementation of the electronization program"; however, it was said that on the supply side there are serious shortcomings. The example given was that the exemptions for enterprises for this year were received only two weeks ago. It was emphasized that the faults of the economic and financial system must be removed. This system, in the opinion of Janusz Sutkowski, director of the Telkom association, is soft, i.e., the exemptions to which the enterprises are entitled, especially from income taxes, are de facto arbitrary ones, and the method of assigning them is inefficient. The financial system then is in bad condition, and the institutional incompetence additionally complicates the electronics enterprises' situation. The representative of the organizing committee attempted to convince the journalists that the partnership they are proposing can help remove these obstacles. The philosophy of the enterprise called Elpol was presented by its designer Doc Dr. Hab Andrzej Szajkowski of the Institute of the State and Law of the Polish Academy of Sciences. As he said, the division of the enterprises in the electronics industry and their financial resources has proven to be a barrier to the development of the industry. The form of a limited liability partnership, which he proposed, can in his opinion break this barrier.

The Elpol partnership is designed to be a joint enterprise. It would receive a portion of the exemptions from income taxes and the enterprises' retained convertible-currency earnings. The proportions of this division will depend on the place of the enterprises in the technological continuum. The subcomponent enterprises would transfer a smaller portion; producers of finished products a greater one. These resources would be controlled by the partnership which would assign them to investments, as was emphasized, in the weakest links. Subcomponent producers are the first ones mentioned; their production capacity, it is commonly believed, limits the production of all of Polish electronics. In this manner the monopoly of the subcomponent producers and the few producers of materials is to be broken. But at the meeting the question was asked: cannot the association perform this function? Doc Szajkowski, the god father of the project, believes this would be possible, but it would lead to a complicated, inefficient network of mutual relationships and joint ventures. The proposed formula will produce a more efficient flow of resources. As D. Lochocki, director of Unitra, added, under the associations the negotiations delay and hamper the decision-making process. The partnership would remove these drawbacks. Many controversies arose around the exemptions from income taxes that the partner enterprises are supposed to receive. The proposal calls for the state budget to collect only a 5-percent income tax beginning in July 1987.

In the opinion of the participating representatives of the organizing committee, these exemptions would not exceed the sum in the program for electronization, these

exemptions would only order and systematize these sums. Why then the determined opposition of the Ministry of Finance, if the budget is not to suffer due to this operation?, the journalists asked. In fact this doubt remained unanswered. This is not the only question which can be addressed to the Elpol initiative. There are others. For example, will the partnership not contribute to forming monopolies? The fact that it will make it possible to dissolve the subcomponent monopoly, which its organizers emphasize, does not remove the doubts. What for example will happen with the remaining enterprises in the partnership? Are they also going to be able to make use of the "negotiated" exemptions, area they not going to be discriminated against as purchasers of subcomponents, for example? Finally, will the statute adopted, with its hierarchy inverted in relationship to that foreseen by the commercial code, that assigns broad powers to the executive board, and particularly to the director perhaps be a guarantor that the resources will be used in the optimal manner? Is it good that there will be no representation of the enterprises' selfmanagements among the officers of the partnership?

These are some of the questions put to the representatives of the organizing committee. The answers left doubts. This is true of the questions about exemptions from income taxes or the threat of monopoly in the industry. It is hard to assume that the claim that the selfmanagements will be represented among the partnerships' officers by the directors of the enterprises bound by resolutions of the workers' councils would satisfy the employees. The fact is that the commercial code does not regulate this question in a clear way. This, however, does not mean that it closes the door to this type of attempted resolution before the promised regulations on partnership law become effective. The proposed partnership contracts and partnership statute probably cast more light on these and other issues, for, as is known, the devil hides in the details. Only the details will give a real shape to the entire undertaking. The situation is similar with the as yet unfinished, as was said, portion on the economic and financial principles and the simulation of the economic effects of the undertaking. Although they do not belong to the details in the least, they close the cycle of work on the partnership, and it seems the reverse should be the case. In conjunction with this, unfortunately, the doubts can be justified. Where does the heart of the shortcomings of our electronics industry lie? Will the new legal form that Elpol is make it possible to reach it and allow progress in a field that will decide to a large degree Poland's level of civilization? Some say: "We'll take a chance!" Others: "Careful with such experiments."

The meeting at the Ministry of Metallurgy and the Machine Building Industry seemed to confirm that the reorganization is largely a result of the faulty economic and financial system. But just of it? The issue will surely continue to be the subject of discussion and in this newspaper, too.

Director Defends Merger Plans

26000002 Warsaw *POLITYKA in Polish*
No 35, 29 Aug 87 p 3

[Interview with Dariusz Lochocki, director of the Association of the Electronics Industry Enterprises, by J.B.: "A Few Questions"; first paragraph *POLITYKA* introduction]

[Text] [Question] You are a member of the organizing committee of the Elpol partnership. Why is this partnership being formed?

[Answer] I probably do not need to argue that the development of electronics has great significance for the national economy. All over the world this area of technology and production is supported by the state. We too have a government electronization program adopted in 1983. It assigns significant resources to the development of the electronics industry, largely in the form of tax exemptions. Money is available then; the problem, however, is how to use it best. We are not satisfied with the current system; the exemptions to which we are entitled are given to the enterprises after delays which disrupts work and implementation of the program to develop electronics. Moreover, the form of voluntary association does not allow us to require efficient use of the money spent.

[Question] The Ministry of Finance proposes to improve the current system. Why are you rejecting that proposal?

[Answer] We have held talks on that subject, but we could not find a resolution agreeable to both sides.

[Question] The economic mechanisms of the partnership call for great financial privileges for the electronics industry. Are you not exceeding the bounds set out in the program of electronization?

[Answer] No, we are only expecting that we will actually receive the resources promised us. The proposal to provide convertible currency financing for our own industry is even beneficial for the budget, for at present our convertible currency imports exceed our income from exports.

[Question] Nevertheless, the calculations presented show that the monies should be significantly greater. Why are you certain that you will receive them?

[Answer] The government will decide that. The proposal met with the approval of the Committee on the Reassessment of the Organizational Structures of the Economy and also of the Politburo.

[Question] In your opinion, does the partnership threaten the independence of the enterprises?

[Answer] No, because the partnership exists for the partners and not the reverse.

[Question] Does it threaten the self-managements?

[Answer] The Workers' Councils retain their basic rights in the partnership. The operations of the partnership do not collide either with the law on self-management or with the law on the enterprise.

[Question] Does the formation of the partnership mean the creation of a monopoly organization?

[Answer] Whether we like it or not monopolies occur in the electronics industry, the subcomponent monopoly for instance. We can form new production units that can break this monopoly only through an appropriate development policy.

[Question] Do you not think that the formation of an industry-wide association in the form of a partnership contradicts the principles of the economic reform?

[Answer] We want to use the resources more effectively, give an accounting of the money spent, ensure harmonious development of the entire industry, which has powerful internal supply and cooperation relationships, and this is probably in accord with the reform. As is the form of a partnership.

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